NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of **AYALA LAND, INC.** will be held at the Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Ave., Makati City, on **Monday, April 7, 2014** at **9:00 o'clock in the morning** with the following

A G E N D A

1. Proof of Notice and Determination of Quorum
2. Approval of Minutes of Previous Meeting
3. Annual Report
4. Ratification of All Acts and Resolutions of the Board of Directors and of the Executive Committee Adopted During the Preceding Year
5. Amendment of the Articles of Incorporation:
   a) In Article Seventh, Exempting from Pre-emptive Rights (1) the Issuance of 1 Billion Common Shares for Acquisitions or Debt Payments, and (2) the Issuance of Common Shares Covered by Stock Options Granted to Members of Management Committees of Subsidiaries or Affiliates
   b) In Article Third, Stating the Specific Principal Office Address of the Company in Compliance with SEC Memorandum Circular No. 6, Series of 2014
6. Amendment of the Stock Option Plan to Include Members of Management Committees of Subsidiaries and Affiliates as Eligible Grantees of Stock Options
7. Election of Directors (including the Independent Directors)
8. Election of External Auditor and Fixing of their Remuneration
9. Consideration of Such Other Business as May Properly Come Before the Meeting
10. Adjournment

Only stockholders of record at the close of business on **February 11, 2014** are entitled to notice of, and to vote at, this meeting.

Makati City, March 12, 2014.

SOLOMON M. HERMOSURA
Corporate Secretary

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the herein proxy form and submit the same on or before **March 27, 2014** to the Office of the Corporate Secretary at 3/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. Validation of proxies shall be held on March 31, 2014 at 9:00 a.m. at the Office of the Corporate Secretary. Thank you.

PROXY

The undersigned stockholder of **AYALA LAND, INC.** (the "Company") hereby appoints ______________________ or in his absence, the Chairman of the meeting, as *attorney* and *proxy,* with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the annual meeting of stockholders of the Company on April 7, 2014 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meeting.
   ❑ Yes ❑ No ❑ Abstain

2. Approval of Annual Report.
   ❑ Yes ❑ No ❑ Abstain

3. Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.
   ❑ Yes ❑ No ❑ Abstain

4. Amendment of Article Seventh of the Articles of Incorporation exempting from pre-emptive rights the issuance of 1 billion common shares for acquisitions or debt payments.
   ❑ Yes ❑ No ❑ Abstain

5. Amendment of Article Seventh of the Articles of Incorporation exempting from pre-emptive rights the issuance of common shares covered by stock options granted to members of management committees of subsidiaries and affiliates.
   ❑ Yes ❑ No ❑ Abstain

6. Amendment of Article Third of the Articles of Incorporation stating the specific principal office address of the Company in compliance with SEC Memorandum Circular No. 6, series of 2014.
   ❑ Yes ❑ No ❑ Abstain

7. Amendment of the stock option plan to include members of management committees of subsidiaries and affiliates as eligible grantees of stock options.
   ❑ Yes ❑ No ❑ Abstain

8. Election of Directors

	No. of Votes
Fernando Zobel de Ayala	____________
Jaime Augusto Zobel de Ayala	____________
Antonino T. Aquino	____________
Delfin L. Lazaro	____________
Bernard Vincent O. Dy	____________
Vincent Y. Tan	____________
Francis G. Estrada	____________
Jaime C. Laya	____________
Rizalina G. Mantaring	____________

9. Election of SyCip Gorres Velayo & Co. as the independent auditor and fixing of their remuneration.
   ❑ Yes ❑ No ❑ Abstain

10. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
    ❑ Yes ❑ No

____
PRINTED NAME OF STOCKHOLDER

____
SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY

____
DATE

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **MARCH 27, 2014**, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

Information Statement of
Ayala Land, Inc. (the "Registrant," "Company" or "ALI")
Pursuant to Section 20 of the Securities Regulation Code (the "Code")

1. **Check the appropriate box:**

   _____ Preliminary Information Sheet
   __✔__ Definitive Information Sheet

2. **Name of Registrant as specified in its charter:** AYALA LAND, INC.

3. **Province, country or other jurisdiction of incorporation or organization:** REPUBLIC OF THE PHILIPPINES

4. **SEC Identification Number:** 152747

5. **BIR Tax Identification Code:** 000-153-790-000

6. **Address of Principal Office:** 31st Floor, Tower One and Exchange Plaza
   Ayala Triangle, Ayala Avenue, Makati City 1226

7. **Registrant's telephone number, including area code:** (632) 908-3000 / 908-3675

8. **Date, time and place of the meeting of security holders:**

   Date - April 7, 2014
   Time - 9:00 A.M.
   Place - Ballroom 2, Fairmont Makati
   1 Raffles Drive, Makati Avenue
   Makati City

9. **Approximate date on which the Information Statement is first to be sent or given to security holders:**

   March 14, 2014

10. **Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:**

    a. **Shares of Stock**

Class	Number of Shares
Common Shares	14,173,286,611

    b. **Debt Securities**

    Bonds – PhP 39.6 Billion

11. **Are any or all of Registrant's securities listed in a Stock Exchange?**

    __✔__ Yes _____ No

    14,038,540,234 common shares are listed with the Philippine Stock Exchange ("PSE").

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders (hereafter, the "annual stockholders' meeting" or "meeting")

a.	**Date**	-	April 7, 2014
	Time	-	9:00 A.M.
	Place	-	Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Avenue Makati City
	Principal Office	-	31st Floor, Tower One and Exchange Plaza Ayala Triangle, Ayala Avenue Makati City 1226

b. Approximate date when the Information Statement is first to be sent or given to security holders:

March 14, 2014

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY

Item 2. Dissenter's Right of Appraisal

There are no matters to be acted upon that may give rise to appraisal rights under the Corporation Code.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

a. No current director or officer[1], or nominee for election as director or any of his associate, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.

b. No director has informed the Company that he intends to oppose any action to be taken at the annual stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a.	**Number of Shares Outstanding as of January 31, 2014**:	14,173,286,611Common Shares
		13,066,494,759 Voting Preferred Shares
	Number of Votes Entitled:	one (1) vote per share

b. All stockholders of record as of February 11, 2014 are entitled to notice and to vote at the annual stockholders' meeting.

[1] References to directors, officers, Board or Committees are references to directors, officers, Board or Committees of the Company unless otherwise specified.

c. **Manner of Voting**

For common shares, Article III, Secs. 7 and 8 of the By-Laws of the Company (the "By-laws") provide:

> "Section 7 - Each share of stock entitles the person in whose name it is registered in the books of the Corporation to one vote, provided the conditions as regards payment subject to which it was issued have been complied with.
>
> Section 8 – The election of Directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him for as many persons as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected. x x x"

d. **Security Ownership of Certain Record and Beneficial Owners and Management**

i. Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 2014:

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of outstanding shares)
Common	Ayala Corporation[2] 34/F, Tower One Ayala Triangle Ayala Ave., Makati City	Ayala Corporation[3]	Filipino	6,934,509,515	25.4573%
Preferred				12,163,180,640	44.6523%
Common	PCD Nominee Corporation (Non-Filipino)[4] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Management Asia Limited[5]	Singaporean	2,243,209,011	8.2350%
Common	PCD Nominee Corporation (Non-Filipino)[4] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Managers Limited[5]	British	1,776,694,534	6.5224%

ii. Security Ownership of Directors and Management (Executive Officers) as of January 31, 2014:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of outstanding shares)
Directors				
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	19,834,017 (direct & indirect)	Filipino	0.07281%
Common	Mercedita S. Nolledo	406,305 (direct & indirect)	Filipino	0.00149%
Common	Jaime C. Laya	10,000 (direct)	Filipino	0.00004%

[2] Ayala Corporation ("AC") is the parent of the Company.
[3] Under the By-laws and the Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.
[4] PCD is not related to the Company.
[5] Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited (collectively, "Aberdeen") are the clients of a participant of PCD. Aberdeen has the power to decide how their shares in the Company are to be voted.

Common	Oscar S. Reyes	231,601 (direct & indirect)	Filipino	0.00085%
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%
CEO and Most Highly Compensated Executive Officers				
Common	Antonino T. Aquino	19,834,017 (direct & indirect)	Filipino	0.07281%
Common	Vincent Y. Tan	11,496,981 (indirect)	Filipino	0.04221%
Common	Arturo G. Corpuz	4,939,444 (direct & indirect)	Filipino	0.01813%
Common	Raul M. Irlanda	880,377 (indirect)	Filipino	0.00323%
Common	Emilio J. Tumbocon	8,898,121 (direct & indirect	Filipino	0.03267%
Other Executive Officers				
Common	Bernard Vincent O. Dy	8,133,291 (indirect)	Filipino	0.02986%
Common	Jose Emmanuel H. Jalandoni	4,136,670 (indirect)	Filipino	0.01519%
Common	Jaime E. Ysmael	8,002,996 (direct & indirect)	Filipino	0.02938%
Common	Dante M. Abando	2,452,556 (direct & indirect)	Filipino	0.00900%
Common	Ruel C. Bautista*	506,747 (direct & indirect)	Filipino	0.00186%
Common	Augusto D. Bengzon	1,654,666 (indirect)	Filipino	0.00607%
Common	Aniceto V. Bisnar, Jr.	1,263,289 (indirect)	Filipino	0.00464%
Common	Manny A. Blas II	1,548,460 (direct & indirect)	Filipino	0.00568%
Common	Ma. Corazon G. Dizon	867,002 (direct & indirect)	Filipino	0.00318%
Common	Anna Ma. Margarita B. Dy	4,608,760 (indirect)	Filipino	0.01692%
Common	Steven J. Dy	1,022,969 (indirect)	Filipino	0.00376%
Common	Jose Juan Z. Jugo	207,743 (indirect)	Filipino	0.00076%
Common	Robert S. Lao	412,609 (direct & indirect)	Filipino	0.00151%
Common	Michael Alexis C. Legaspi	3,220,122 (direct & indirect)	Filipino	0.01182%
Common	Joselito N. Luna	3,332,156 (direct & indirect)	Filipino	0.01223%
Common	Christopher B. Maglanoc	632,557 (direct & indirect)	Filipino	0.00232%
Common	Francis O. Monera	1,203,497 (direct & indirect)	Filipino	0.00442%
Common	Rodelito J. Ocampo	1,047,008 (direct & indirect)	Filipino	0.00384%
Common	Ma. Rowena Victoria M. Tomeldan	1,466,066 (direct & indirect)	Filipino	0.00538%
Common	Solomon M. Hermosura	480 (direct)	Filipino	0.00000%
Common	Sheila Marie U. Tan**	1,109,245 (direct & indirect)	Filipino	0.00407%
All Directors and Officers as a group		**93,553,316**		**0.34344%**

** Retired effective December 31, 2013.*
*** On leave effective November 1, 2013.*

None of the members of the Company's directors and management owns 2.0% or more of the outstanding capital stock of the Company.

iii. **Voting Trust Holders of 5% or More**

The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

iv. **Changes in Control**

No change of control in the Company has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers

Article IV, Section 1 of the By-Laws provides in part:

> "Section 1. xxx The Board of Directors shall have nine (9) members who shall be elected by the Corporation's stockholders entitled to vote at the annual meeting, and shall hold office for one year until their successors are elected and qualified in accordance with these By-laws."

The record of attendance of the directors at the meetings of the Board of Directors (the "Board") held in 2013 is as follows:

Directors	No. of Meetings Attended/Held[6]	Percent Present
Fernando Zobel de Ayala	6/7	86%
Antonino T. Aquino	7/7	100%
Jaime Augusto Zobel de Ayala	7/7	100%
Mercedita S. Nolledo	7/7	100%
Delfin L. Lazaro	6/7	86%
Aurelio R. Montinola III	5/7	71%
Oscar S. Reyes	7/7	100%
Francis G. Estrada	6/7	86%
Jaime C. Laya	7/7	100%

The Management Committee members and other officers, unless removed by the Board, shall serve as such until their successors are elected or appointed.

a. **Information required of Directors and Executive Officers**

i. **Directors and Executive Officers**

The following persons, who constitute the final list of candidates presented and approved by the Nomination Committee (which is composed of Oscar S. Reyes, Chairman, Antonino T. Aquino and Fernando Zobel de Ayala), have been nominated to the Board for the ensuing year and have accepted their nomination:

Fernando Zobel de Ayala	Vincent Y. Tan
Jaime Augusto Zobel de Ayala	Francis G. Estrada
Antonino T. Aquino	Jaime C. Laya
Delfin L. Lazaro	Rizalina G. Mantaring
Bernard Vincent O. Dy	

The nominees were formally nominated to the Nomination Committee by a shareholder of the Company, Ms. Dolores E. Danila. Messrs. Francis G. Estrada and Jaime C. Laya, incumbent directors, and Ms. Rizalina G. Mantaring are nominated as independent directors. Ms. Danila is not related to any of the nominees for independent directors.The Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and the By-laws of the Company.

[6] In 2013 and during the incumbency of the director.

Only nominees whose names appear in the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the annual stockholders' meeting.

Mesrrs. Fernando Zobel de Ayala, Jaime Augusto Zobel de Ayala, Delfin L. Larazo and Francis G. Estrada have served as directors of the Company for more than five years. Mr.Antonino T. Aquino has served as director for five years and Mr. Jaime C. Laya for four years. Messrs. Bernard Vincent O. Dy, and Vincent Y. Tan, and Ms. Rizalina G. Mantaring are nominated as directors of the Company for the first time.

A summary of the qualifications of the incumbent directors, nominees for directors for election at the annual stockholders' meeting and incumbent officers is set forth in Annex A.

ii. **Significant Employees**

The Company considers its human resources working as a team as a key element for its continued success. But the Company has no employee who is not an executive officer and who is expected to make individually on his own a significant contribution to the business.

iii. **Family Relationships**

Fernando Zobel de Ayala, the Chairman, and Jaime Augusto Zobel de Ayala, the Vice Chairman, are brothers.

iv. **Involvement in Certain Legal Proceedings**

None of the directors or executive officers is involved in any material pending legal proceedings in any court or administrative agency.

As of end-2013 the Company is not involved in any litigation it considers material. In any event, below are the legal proceedings involving the Company that may be significant.

Las Piñas Property

Certain individuals and entities have claimed an interest in ALI's properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale.

Prior to purchasing the aforesaid properties, ALI conducted an investigation of titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and ALI believes that it has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims and believes that its titles are, in general, superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning in October 1993, ALI filed petitions in the Regional Trial Courts (RTC) in Makati City and Las Piñas City for quieting of title to nullify the purported titles or claims of these claimants. These cases are at various stages of trial and appeal. Some of these cases have been finally decided by the Supreme Court ("SC") in ALI's favor. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The controversy involves the remaining area of approximately 126 hectares.

ALI has made no provision in respect of such actual or threatened litigations.

b. **Certain Relationships and Related Transactions**

The Company and its subsidiaries (the "Group"), 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.

However, no other transaction, without proper disclosure, was undertaken by the Group in which any director or executive officer, any nominee for election as director, any beneficial owner of more than 5% of the Company's outstanding shares (direct or indirect) or any member of his immediate family was involved or had a direct or indirect material interest.

ALI employees are required to promptly disclose any business and family-related transactions with the Company to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

c. **Ownership Structure and Parent Company**

As of January 31, 2014, Ayala Corporation owns 70.11% of the total outstanding voting shares of the Company.

d. **Resignation of Directors**

To date, no director has resigned or declined to stand for re-election for the Board due to any disagreement with the Company relative to the Company's operations, policies and practices.

Item 6. Compensation of Directors and Executive Officers

a. **Executive Compensation**

The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to ₱191.2 million in 2012 and ₱161.1 million in 2013. The projected total annual compensation for the current year is ₱165.5 million.

Total compensation paid to all senior personnel from Manager and up amounted to ₱755 million in 2012 and ₱823.1 million in 2013. The projected total annual compensation for the current year is ₱858.7 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Antonino T. Aquino* President & CEO Vincent Y. Tan Executive Vice President Arturo G. Corpuz Senior Vice President Raul M. Irlanda Senior Vice President Emilio Lolito J. Tumbocon Senior Vice President			
CEO & Most Highly Compensated Executive Officers	Actual 2012	₱101.2M	₱90M
	Actual 2013	₱98M	₱63.1M
	Projected 2014	₱105.5M	₱60M **
All other officers*** as a group unnamed	Actual 2012	₱497M	₱258M
	Actual 2013	₱545.10M	₱278M
	Projected 2014	₱588.71M	₱270M **

** Compensation includes full year effect of CEO and market adjustments to selected officers for retention purposes.*

*** Exclusive of Stock Option exercise.*
**** Managers and up.*

The total annual compensation paid to all senior personnel from Manager and up was all paid in cash.

The total annual compensation includes the basic salary and other variable pay (performance bonus and exercise of stock options).

b. **Compensation of Directors**

Article IV, Section 17 of the By-Laws provides:

> "Section 17 – 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 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 compensation and remuneration committee of the Board of Directors shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay directors for work required in a company of the Corporation's size and scope." (As amended on April 13, 2011.)

i. **Standard Arrangement (Current Compensation)**

During the 2011 annual stockholders' meeting, the stockholders approved a resolution fixing the current remuneration of non-executive directors as follows:

Retainer Fee	₱ 1,000,000.00
Board Meeting Fee per meeting attended	₱ 200,000.00
Committee Meeting Fee per meeting attended	₱ 100,000.00

ii. **Other Arrangement**

None of the directors has been contracted and compensated by the Company for services other than those provided as a director.

The Company has no other arrangement with regard to the remuneration of its directors aside from the compensation received as herein stated.

c. **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

The above named executive officers are covered by letters of appointment stating their respective job functionalities, among others.

d. **Warrants and Options Outstanding: Repricing**

Since 1998, the Company has offered its officers options to acquire common shares under its executive stock option plan (ESOP). The following are the number of outstanding options and the number of options exercised by the officers of the Company as of December 31, 2013:

Name	No. of Outstanding Options	No. of Options Exercised	Date of Grant	Exercise Price	Market Price at Date of Grant
Antonino T. Aquino			Various	Various	Various
Vincent Y. Tan			Various	Various	Various

Arturo G. Corpuz			Various	Various	Various
Raul M. Irlanda			Various	Various	Various
Emilio Lolito J. Tumbocon			Various	Various	Various
All above-named officers	4,300,958	2,908,900		3.77*	5.57*
All other officers** as a group unnamed	10,377,981	3,214,349		3.82*	5.50*

** Average prices*
***Managers and up*

ii. The Company has adjusted the exercise price of the options awarded to the above named officers due to the stock dividend paid in June 2007.

Item 7. Independent Public Accountants

a. The principal accountant and external auditor of the Company is SyCip, Gorres, Velayo & Company (SGV & Co.). The same accounting firm is being recommended for re-election at the annual stockholders' meeting.

b. Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Ms. Jessie D. Cabaluna has been the Partner-in-charge since audit year 2011.

c. **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There were no disagreements with the SGV & Co. on any matter of accounting and financial disclosure.

d. **Audit and Audit-Related Fees**

ALI and its subsidiaries paid its external auditors the following fees in the past two years: *(in Php million; with VAT)*

	Audit & Audit-related Fees	Tax Fees	Other Fees
2013	17.6*	-	-
2012	15.7*	-	-

** Pertains to audit fees; no fees for other assurance and related services*

e. **Tax Fees**

Tax consultancy services are secured from entities other than the external auditor.

Under paragraph D.3.1 of the ALI Audit and Risk Committee Charter, the Audit and Risk Committee (composed of Oscar S. Reyes, Chairman, Mercedita S. Nolledo, Jaime C. Laya and Aurelio R. Montinola III) recommends to the Board the appointment of the external auditor and the audit fees.

Item 8. Compensation Plans

On Febuary 21, 2014, the Board of Directors approved the amendment of the Company's stock option plan to include members of management committees of subsidiaries and affiliates as eligible grantees of stock options. The Board also approved the amendment of the Article Seventh of the Articles of Incorporation to exempt from pre-emptive rights the issuance of common shares covered by stock options granted to members of management committees of subsidiaries and affiliates of the Company. The Board of Directors recommends to the stockholders the approval of the amendments of the stock option plan and the Seventh Article at their annual stockholders' meeting.

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

Item 9. Authorization or Issuance of Securities Other than for Exchange

a. **Title and amount of securities to be issued**

No approval of the stockholders is sought for the authorization or issuance of any securities.

Item 8 (***Compensation Plans***) above sets forth the amendment of the Company's stock option plan to include members of management committees of subsidiaries and affiliates as eligible grantees of stock options.

Item 17 (***Amendment of Charter***) below sets forth proposed amendments to the Seventh Aricle of the Articles of Incorporation of the Company exempting from pre-emptive rights the issuances (1) of up to one billion (1,000,000,000) common shares ("Carved-out Shares") for the purpose of raising cash to acquire properties or assets needed for the business of the Company or in payment of debt contracted prior to the issuance of the Carved-out Shares, and (2) of common shares under the Company's stock option plans to members of management committees of the Company's subsidiaries and affiliates.

b. **Description of securities**

The Carved-out Shares and the shares covered by the stock option plan of the Company are common shares, which have the features, rights and privileges provided in the Seventh Article of the Articles of Incorporation, which, as proposed to be amended, is quoted under Item 17 (***Amendment of Charter***) of this Information Statement.

c. **Description of transaction in which the securities are to be issued**

The Board of Directors of the Company will decide, after the proposed amendments to the Seventh Article of the Articles of Incorporation exempting the Carved-out Shares from pre-emptive rights is approved by the stockholders and the SEC, when the Carved-out Shares are to be issued and the terms and conditions of the issuance of the shares for the purpose of raising cash to acquire properties or assets needed for the business of the Company or in payment of a previously contracted debt.

The Board of Directors, upon recommendation of the Company's Personnel and Compensation Committee, approves the grants of stock options to eligible grantees.

d. **Reason of the proposed issuance**

When the Carved-out Shares are issued without pre-emptive rights, the purpose of the issuance would be to raise cash to acquire properties or assets needed for the business of the Company or in payment of a previously contracted debt. The share carve-out is only intended to provide enough flexibility to tap the equity capital market in a very efficient manner should there be unplanned large investment opportunities in the future, and at the same time allow the Company to stay within the prescribed debt ratios. This is an accepted capital management best practice among regional property firms, and the Company has the track record on the judicious use of its previous share carve-out.

Stock options are granted to eligible participants under the stock option plan of the Company to align the interest of grantees with the shareholders, to reward executives for good performance and to incentivize executives to grow the Company.

e. There are no provisions in the Company's Article of Incorporation or By-Laws that would delay, defer or prevent a change in control of the Company.

Item 10. Modification or Exchange of Securities

There are no matters or actions to be taken up for the modification of any class of the Company's securities or the issuance or authorization for issuance of one class of the Company's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2013, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "B". The Schedules required under Part IV(c) of Rule 68 will be included in the Annual Report (SEC Form 17-A).

Item 12. Mergers, Consolidations, Acquisitions, and Similar Matters

There are no matters or actions to be taken up in the annual stockholders' meeting with respect to merger, consolidation, acquisition by sale, or liquidation of the Company.

Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up in the annual stockholders' meeting with respect to acquisition or disposition of any property by the Company.

Item 14. Restatement of Accounts

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>

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 amended PFRS which became effective January 1, 2013.

The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. 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 (b) 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 interest 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 an associate under the previously existing PAS 28, *Investments in Associates*, while BGW, BGS and BGN were considered to be an associate 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).

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 at January 1, 2012 and comparative information for years ended December 31, 2012 and 2011 have been restated in the consolidated financial statements.

Adoption of PFRS 10 has no impact on the Company’s EPS. These amounts have considered preliminary purchase price allocation for the entities in which it has obtained control.

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 Company 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. are 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 stipulatedinthe Joint Venture Agreement.

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)
Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the consolidated financial statements upon adoption of the standard.

Equity in net earnings from investments in associates and jointly controlled entities will not have an impact in net income attributable to owners of the Company and EPS for the years ended December 31, 2013 and 2012 and January 1, 2012.

The Group assessed the impact of the revised standard to the retained earnings as immaterial.

PAS 27, *Separate Financial Statements* (as revised in 2011)
As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, 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, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

a. Approval of the Minutes of the 2013 annual meeting of stockholders held on April 17, 2013 covering the following matters:

   i) Annual report;
   ii) Ratification and approval of all resolutions of the Board and the Executive Committee, and all acts of the Management after the annual stockholders' meeting on April 18, 2012 until the annual stockholders' meeting on April 17, 2013;
   iii) Approval of amendments to Article Seventh of the Articles of Incorporation as recommended by the Board of Directors, exempting the sale or other disposition of treasury shares from the pre-emptive rights of the stockholders.
   iv) Election of the members of the Board, including the Independent Directors, and
   v) Election of the external auditor and fixing of its remuneration.

b. Approval of the annual report of the Management for the year ending December 31, 2013, including the 2013 audited financial statements.

Item 16. Matters not required to be Submitted

There are no matters or actions to be taken up in the meeting that will not require the vote of the stockholders as of the record date.

Item 17. Amendment of Charter

a. On February 21, 2014, the Board of Directors approved the amendments to the Seventh Article of the Articles of Incorporation exempting from the pre-emptive rights of the stockholders (1) the issuance of up to one billion common shares ("Carved-out Shares") for the purpose of raising cash to acquire properties or assets needed for the business of the Company or in payment of debt contracted prior to the issuance of the Carved-out Shares, and (2) the issuance of common shares under the Company's stock option plans to members of management committees of the Companys subsidiaries and affiliates (the "Proposed Amendments"). The Board of Directors recommend to the stockholders the approval of the Proposed Amendments at their 2014 annual meeting.

   As proposed to be amended, the second paragraph of the section of the Seventh Article of the Articles of Incorporation under the caption **Common Shares** will be revised and a new paragraph for the Carved-out Shares will be added, such that, as amended, the second and third paragraph of said section will read as follows:

   > Any and all issues of the Corporation's common stocks, except as otherwise specified in this Article Seventh or by law, shall be subject to the stockholders' pre-emptive rights in accordance with law. No stockholder of the Corporation shall have pre-emptive rights to (i) issues of common shares covered by the Corporation's stock option plans for the employees and officers, and members of the management committees of its subsidiaries and affiliates, (ii) the issuance, sale or other disposition of treasury shares, and (iii) the issuance of common shares, with the approval of stockholders representing two-thirds (2/3) of the outstanding capital stock, 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 Corporation and/or in payment of a previously contracted debt (As amended on April 7, 2014)

One Billion (1,000,000,000) unissued common shares of the Corporation (the "Carved-out Shares") are hereby reserved or allocated for issuance, in one or more transactions or offerings, (i) for properties or assets needed for the business of the Corporation or (ii) for cash to acquire properties or assets needed for the business of the Corporation, or (iii) in payment of a debt contracted prior to the issuance of the Carved-out Shares. The issuance of all or any part of the Carved-out Shares is not subject to any pre-emptive right by any shareholder and does not require the approval of stockholders. (As amended on April 7, 2014)

b. The Board of Directors will hold a special meeting on April 7, 2014, immediately prior to the annual stockholders' meeting, to discuss, among others, the amendment to the Third Article of the Articles of Incorporation of the Company to change the principal office address of the Company from Metro Manila, Philippines to 31/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, in compliance with the SEC Memorandum Circular No. 6, Series of 2014.

   As proposed to be amended, the Third Article of the Articles of Incorporation will read as follows:

   THIRD - That the place where the principal office of the Corporation is to be located is in 31/F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue Makati City, but it may establish such branch office in any place or places in or outside the Philppines as may be approved by the Board of Directors. (As amended on April 7, 2014)

c. At their annual meeting on April 12, 2003, the stockholders delegated the power and authority to amend the By-Laws to the Board of Directors. In the exercise of this delegated power, the Board, at its special meeting on April 7, 2014, immediately prior to the annual stockholders' meeting, will approve the amendment of Article III, Section 2 of the Company's By-Laws to allow meetings of the stockholders to be held at any place in Metro Manila other than in the offices of the Company and as designated by the Board of Directors.

Item 18. Other Proposed Action

a. Ratification of all resolutions of the Board and the Executive Committee, as well as the acts of the Management to implement the resolutions after the annual stockholders' meeting on April 17, 2013 until the annual stockholders' meeting on April 7, 2014.

   The resolutions of the Board and the Executive Committee involve –

   i) Approval of contracts, projects, investments, and other acts which have been covered by disclosures to the PSE and the SEC;
   ii) Treasury matters, including borrowings, opening of accounts and bank transactions; and
   iii) Housekeeping matters, including the appointment of signatories and amendments thereof.

b. Election of the members of the Board, including the independent directors, for the ensuing year.

c. Election of the external auditor and fixing its remuneration.

d. Amendment of the stock option plan to include members of management committees of subsidiaries and affiliates as eligible grantees of stock options.

Item 19. Voting Procedures

a. **Vote required**: The affirmative vote of stockholders representing at least 2/3 of the issued and outstanding capital stock is required for the approval of the Proposed Amendments to the Articles of Incorporation of the Company. The affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders' meeting is required for the approval of the other matters presented to the stockholders for decision. The election of directors is by plurality of votes.

b. **Method of Voting**: Straight and Cumulative Voting

In all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one vote.

In the case of the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate the aforesaid shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many nominees as he shall see fit; provided that, the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the total number of directors to be elected.

Voting will be by poll. Upon registration at the annual stockholders' meeting, each stockholder will be given a ballot to enable him to vote in writing on each item or proposal in the Agenda. Nonetheless, each stockholder may vote *viva voce* or by other means of communicating his approval or objection. All votes will be counted and tabulated by the Office of the Corporate Secretary and the results will be validated by the external auditor of the Company, SGV & Co.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the 12th day of March 2014.

AYALA LAND, INC.

by: SOLOMON M. HERMOSURA
Corporate Secretary

ANNEX "A"
DIRECTORS AND KEY OFFICERS
(as of December 31, 2013)

The write-ups below include positions held as of December 31, 2013 and in the past five years, and personal data as of December 31, 2013, of directors and executive officers.

Board of Directors

Fernando Zobel de Ayala	Jaime C. Laya
Jaime Augusto Zobel de Ayala	Aurelio R. Montinola III
Antonino T. Aquino	Mercedita S. Nolledo
Francis G. Estrada	Oscar S. Reyes
Delfin L. Lazaro	

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.

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.

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 a 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.

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. He was a former President and CEO of Bank of the Philippine Islands. 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 the 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: 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.

Nominees to the Board of Directors for election at the stockholders' meeting:

All incumbent directors except Mercedita S. Nolledo, Aurelio R. Montinola III and Oscar S. Reyes.

***Bernard Vincent O. Dy*,** Filipino, 50, is the Executive Vice President & Chief Operating Officer of Ayala Land, Inc. He is also a member of the Management Committee. Currently, he is the Head of the Residential Business, Commercial Business and Corporate Marketing and Sales of ALI. His other significant positions include: Chairman of Ayala Land International Sales, Inc., Anvaya Cove Golf & Sports Club, Inc. and Amicassa Process Solutions, Inc., Vice Chairman of Avida Land Corp. and Alveo Land Corporation, President of Serendra, Inc., and Varejo Corporation. Director of Fort Bonifacio Development, Ayala Land Sales, Inc., Bellavita Land Corporation, Amaia Land Corporation, North Triangle Depot Commercial Corporation, Alabang Commercial Corporation, Station Square East Commercial Corporation, Ayala Greenfield Golf & Leisure Club, and Philippine FamilyMart CVS, Inc., Treasurer of SIAL Specialty Retailers, Inc. and SIAL CVS Retailers, Inc.

Rizalina G. Mantaring, Filipino, 54, is the country head for the Sun Life Financial group of companies in the Philippines, President and CEO of the flagship Sun Life of Canada (Philppines) Inc., and a board member of Sun Life of Canada (Philippines) Inc., Sun Life Financial Plans, Sun Life Asset Management Co. Inc., Sun Life Financial Philippine Holding Co. Inc., Sun Life Grepa Financial, Inc. and Grepalife Asset Management Corporation. She is also the Chair of Sun Life Financial-Philippines Foundation, Inc. She is an independent director of Microventures Foundation Inc. and a member of the Makati Business Club, Management Association of the Philippines, Financial Executives of the Philippines and Women Corporate Directors Philippines. In 2010, she was selected as one of the 100 Most Outstanding Alumni of the past century by the University of the Philippines College of Engineering. In 2011, she was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance. She is also a recipient of the 2011 CEO EXCEL award given by the International Association of Business Communicators.

Vincent Y. Tan, Filipino, 63, is an Executive Vice President and Head of the Planning Group of ALI. He is a member of the Management Committee of ALI and Director of the following companies: Ayala Greenfield Golf & Leisure Club, Inc., Ayala Property Partners Corporation, First Gateway Real Estate Corporation, Glensworth Development, Inc., One Dela Rosa Property Development, Inc., Gisborne Property, Inc., UP North Property Holdings, Inc., Station Square East Commercial Corp., North Triangle Depot Commercial Corporation.

Management Committee Members / Key Executive Officers

Antonino T. Aquino*	President and Chief Executive Officer
Bernard Vincent O. Dy**	Executive Vice President & Chief Operating Officer
Vincent Y. Tan**	Executive Vice President
Arturo G. Corpuz	Senior Vice President
Raul M. Irlanda	Senior Vice President
Jose Emmanuel H. Jalandoni	Senior Vice President
Emilio J. Tumbocon	Senior Vice President
Jaime E. Ysmael	Senior Vice President & Chief Finance Officer
Dante M. Abando	Vice President
Ruel C. Bautista***	Vice President
Augusto D. Bengzon	Vice President & Treasurer
Aniceto V. Bisnar, Jr.	Vice President
Manuel A. Blas II	Vice President
Maria Corazon G. Dizon	Vice President
Anna Ma. Margarita B. Dy	Vice President
Steven J. Dy	Vice President
Jose Juan Z. Jugo	Vice President
Robert S. Lao	Vice President
Michael Alexis C. Legaspi	Vice President
Joselito N. Luna	Vice President
Christopher B. Maglanoc	Vice President
Francis O. Monera	Vice President
Rodelito J. Ocampo	Vice President
Ma. Rowena Victoria M. Tomeldan	Vice President
Solomon M. Hermosura	Corporate Secretary
Sheila Marie U. Tan****	Assistant Corporate Secretary

** Member of the Board*
*** Nominee to the Board of Directors*
**** Retired effective December 31, 2013*
***** On leave effective November 1, 2013*

Arturo G. Corpuz, Filipino, 58, is a Senior Vice President and member of the Management Committee of ALI since 2008. He heads the Urban and Regional Planning Division and the Central Land Acquisition Unit of ALI. He is a Trustee of the Makati Parking Authority and a member of the Board of Aurora Properties, Inc. and of Vesta Properties Holdings, Inc. He is a former President of the Philippine Economic Society and a Fellow of the Foundation for Economic Freedom and the Philippine Institute of Environmental Planning.

Raul M. Irlanda, CFM, Filipino, 58, is a Senior Vice-President of Ayala Land Inc. and a member of the Management Committee. He is the Chairman and Board Member of Ayala Property Management Corporation (APMC), President and Chief Executive Officer and Director of Philippine Integrated Energy Solutions Inc. (PhilEnergy) and DirectPower Service, Inc., Board Member of Makati Development Corporation (MDC) and MDC BuildPlus. He is also Vice-President and Director of Tower One Condominium Corporation, and the first and only Filipino Certified Facility Manager (CFM) by the International Facility Management Association (IFMA), Governor of Ayala Center Estate Association (ACEA) and Makati Commercial Estate Association Inc. (MaCEA) also the head of Ayala Security Force (ASF), and Trustee YMCA Makati.

Jose Emmanuel H. Jalandoni, Filipino, 46, is a Senior Vice President and member of the Management Committee of ALI. He is the Head of Hotels and Resorts, and Head of Commercial Offices. His significant positions include: President and CEO of Ayala Hotels, Inc. and AyalaLand Hotels and Resorts Corporation; Director of Ten Knots Philippines, Inc.; Chairman & Director of Cebu Insular Hotel Co. Inc. and Enjay Hotels, Inc. He is a member of the Investment Committee of Arch Capital Asian Partners, G.P. (Cayman) and KHI-ALI Manila, Inc. He joined ALI in 1996 and held various positions in the company.

Emilio Lolito J. Tumbocon, 57 years old, Filipino, is a Senior Vice-President at Ayala Land, Inc., and a member of its Management Committee. He heads the Visayas-Mindanao and Human Resources & Public Affairs. His other significant positions are Director of the following companies: Cebu Holdings, Inc., Cebu Property Ventures Development Corporation,., Inc., Cebu Insular Hotel Co., Inc., Accendo Commercial Corporation, Cagayan de Oro Gateway Corp., Taft Punta Engaño Property, Inc., Makati Development Corporation, MDC Buildplus, Inc., MDC Equipment Solutions, Inc., MDC Subic, Inc., Direct Power Services, Inc., Ecozone Power Management, Laguna Technopark, Inc., Anvaya Cove Golf & Sports Club, Inc., Northgate Hotel Ventures, Inc., ALI Makati Hotel Property, Inc., Southcrest Hotel Ventures, Inc., Westview Commercial Ventures Corp., Avencosouth Corporation, Whiteknight Holdings, Inc., Asian-I Office Properties, Inc. and Adauge Commercial Corporation. He is a certified Project Management Professional (PMP) of the Project Management Institute since 2006. He has 34 years of extensive work experience in the construction and real estate industry.

Jaime E. Ysmael, Filipino, 53, is a Senior Vice President, Chief Finance Officer, Compliance Officer and member of the Management Committee of Ayala Land, Inc. Concurrently, he is a Managing Director of Ayala Corporation. His other significant positions include: Chairman of the Board of Directors and Chief Executive Officer of Aprisa Business Process Solutions, Inc.; Director and President of CMPI Holdings, Inc. and CMPI Land, Inc.; Director and President of South Gateway Development Corporation; President of Tower One & Exchange Plaza Condominium Corporation; Director and Treasurer of Ayala Land International Sales, Inc., Ayala Land Sales, Inc., Alveo Land Corp., Laguna Technopark, Inc., Serendra, Inc., Ayala Hotels and Resorts Corporation and Anvaya Cove Beach & Nature Club, Inc.; Director, Treasurer and ExCom Member of Ayala Hotels, Inc. and Enjay Hotels, Inc.; Director of Cebu Holdings, Inc., Alabang Commercial Corp., Amaia Land Corp., Avida Land Corp., Cebu Insular Hotel Company, Inc., North Triangle Depot Commercial Corp., Station Square East Commercial Corp., Philippine Integrated Energy Solutions, Inc, Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Properties Holdings, Inc. He is also a Director of the Asia Pacific Real Estate Association Ltd. and Chairman of the Board of Directors of its Philippine Chapter.

Dante M. Abando, Filipino, 49, is a Vice President and Member of the Management Committee of ALI. He is concurrently President and a Member of the Board of Directors of Makati Development Corporation, MDC BuildPlus, Inc., MDC Conqrete, Inc., MDC Equipment Solutions, Inc., and MDC Subic. His other significant positions include Director of Alveo Land Corp., Avida Land, Corp., Serendra, Inc., and Anvaya Cove Golf and Sports Club, Inc. He is currently the second Vice President of the Philippine Constructors Association. Prior to joining ALI, he served as Manager of Philkoei International, Inc. and Construction Engineer for DM Consunji, Inc.

Ruel C. Bautista, Filipino, 58, was a Vice President of ALI from January 2007 to December 31, 2013. He was the Executive Vice President of Makati Development Corporation and Head of the Construction Management. Prior to joining ALI, he served in various project management, construction operation and engineering capacities in other private institutions for close to 25 years.

Augusto D. Bengzon, Filipino, 50, joined ALI in December 2004 as Vice President and Treasurer. His other significant positions include: Treasurer of Avida Land Corporation, Makati Development Corp., Aurora Properties, Inc., Vesta Properties Holdings, Inc., CECI Realty, Inc and the HERO Foundation; Director of the Anvaya Cove Golf and Sports Club; Trustee of the PNP Foundation, Inc., and the Dr. Fe del Mundo Medical Center Foundation Phils., Inc. Prior to joining ALI, he was Vice President and Credit Officer in Global Relationship Banking at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Portfolio Management, Structuring, Debt Syndication and Relationship Management.

Aniceto V. Bisnar, Jr., Filipino, 49, is a Vice President of ALI since January 2009. He served in the Strategic Land Bank Management (SLMG) and headed the NUVALI and ARCA South (former FTI complex) eco-city and business district developments of ALI. His significant positions include: member of the Board of Directors, Executive Vice President and General Manager of Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Property Holdings, Inc.; and Board of Trustee of Hero Foundation, Inc. He served as the Head of Commercial Operations of Fort Bonifacio Development Corporation which developed Bonifacio Global City, and was a Director of Bonifacio Estates Services Corp., Bonifacio Water Corp., Bonifacio Transport Corp., Bonifacio Gas, Inc., Bonifacio Global City Estate Association, and Bonifacio Arts Foundation, Inc. He also served as General Manager of Ayala Greenfield Development Corporation; Chairman of Crimson Field Enterprises, Inc.; and Director of Red Creek Properties, Inc. He completed his Masters in Business Management (MBM) degree in 1989 from the Asian Institute of Management (AIM) in Makati City and graduated in the top 5% of his class at the Philippine Military Academy in Baguio City in 1985. He joined ALI in 1994 and had served in various positions of responsibility covering land acquisition, planning and development and general management positions.

Manny Blas, Filipino, 59, is a Vice-President of Ayala Land Inc. since January 2007, and is currently the Head of Commercial Operations in Fort Bonifacio Development Corporation. He is also assigned as Managing Director of Bonifacio Arts Foundation, Inc. He spearheaded the project development of The Mind Museum, the first world class science museum in the country.

Maria Corazon G. Dizon, Filipino, 50, is a Vice President and Head of Business Development and Strategic Planning of the Commercial Business, which consists of malls and office leasing developments. She is also the Head of the Retailing Business, which handles the development and operations of ALI's new retailing businesses. She holds the following significant positions in the following companies: Director of North Triangle Depot Commercial Corporation, Accendo Commercial Corporation, Cagayan De Oro Gateway Corp., Station Square East Commercial Corporation, North Beacon Commercial Corp., South Innovative Theater Management, Inc., Asian I-Office Properties, Inc., Ayala Theatres Management, Inc., Philippine Family Mart CVS, Inc., SIAL Specialty Retailers, Inc., SIAL CVS Retailers, Inc, and Five Star Cinema, Inc.; Chairman and Director of Ayalaland Metro North, Inc., Cavite Commercial Town Center, Arvo Commercial Corporation, Crestview E-Office Corp., Gisborne Property Inc., Primavera Towncentre, Inc., Subic Bay Town Center, Inc., and Summerhill E-Office, Inc.; and Director and Vice President of Varejo Corp. Over the years in ALI, she occupied various key positions including Asset Management Head and Chief Finance Officer for the Ayala Malls, Head of Corporate Control and Analysis Division, and Head of ALI Investor Relations Unit.

Anna Ma. Margarita B. Dy, Filipino, 43, is Vice President and member of the Management Committee of Ayala Land, Inc. effective August 2008. She is Head of the Strategic Landbank Management (SLMG). Her other significant positions include: Director and Executive Vice President of Fort Bonifacio Development Corporation and is a Director of the Nuvali Subsidiaries: Aurora Properties, Inc., Vesta Properties Holdings, Inc., and CECI Realty, Inc. Prior to joining ALI, she was Vice President of Benpres Holdings Corporation.

Steven J. Dy, Filipino, 49, is a Vice President of ALI since December 2010 assigned to the international initiative of the Company in China, Myanmar and Vietnam. Prior to this assignment, he was with the corporate business group for three years heading one of the project development groups and the business development. He had the same responsibilities when he was with Avida Land Corporation.

Jose Juan Z. Jugo, Filipino, 42, is a Vice President of ALI since January 2013. His main function in the company is as Head of Ayala Land Premier. His other key functions are as: Chairman of Ayala Land Sales, Inc., Chairman of Anvaya Environmental Foundation, Inc., Chairman of Verde Golf Development Corporation, Chairman of Capitol Hills Golf & Country Club, President & CEO of Anvaya Cove Beach and Nature Club, Board Director of Aviana Development Corporation, Board Director of Amicassa Process Solutions, Inc., Board Director of Ayala Greenfield Development Corporation, Board Director of BG West Properties, Inc., Board Director of Ayala Greenfield Golf & Leisure Club, and General Manager of Roxas Land Corporation. He joined ALI in 2000 after coming from marketing management positions in the fast moving consumer goods industry.

Robert S. Lao, Filipino, 40, is a Vice President of Ayala Land, Inc. and concurrently the President and a member of the Board of Directors of Alveo Land Corp since January 2012. He is also a member of the Board of Directors of Serendra, Inc. and BG South Properties, Inc., and the Chief Operating Officer of Portico Land Corp. Prior to joining Ayala Land, Inc., he served as Senior Process Engineer of Fujitsu Computer Products Corporation of the Philippines (FCPP) and Lead Process Engineer of PT. Quantum Electronics in Indonesia. He is a licensed Real Estate Broker.

Michael Alexis C. Legaspi, Filipino, 55, is a Vice President of ALI since July 2009, and is currently the Chief Operating Officer of Ayala Hotels, Inc. & AyalaLand Hotels & Resorts Corp. He serves as the President of Enjay Hotels, Inc., Cebu Insular Hotels Co. Inc., Greenhaven Property Ventures, Inc., Southcrest Hotel Ventures, Inc., Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Mr. Legaspi is also a Director of AyalaLand Hotels & Resorts Corp, KHI-ALI Manila, Inc., Ten Knots Development Corp., and Ten Knots Phils., Inc. He previously held the following positions: Head of Sales Division of ALI, Resident Manager of Oakwood Premier Ayala Center and Senior Vice President and Head of Operations of Ayala Property Management Corporation

Joselito N. Luna, Filipino, 50, is a Vice President and member of the Management Committee since August 2008. He is also Ayala Land, Inc.'s Chief Architect and Head of Innovation and Design. His other significant positions include: Director of Vesta Properties Holdings, Inc., Aurora Properties, Inc., Anvaya Cove Golf & Sports Club Inc. and Board of Trustees of Philippine Green Building Council. He joined ALI in 1990 as a Registered Architect and Environmental Planner.

Christopher B. Maglanoc, Filipino, 43, is a Vice President of ALI since April 2013 and is currently President of Avida Land Corporation. He was Chief Operating Officer and Head of the Project and Strategic Management in Avida Land before he was elected as president of the Company effective January 1, 2012. Prior to his stint in Avida in 2004, he occupied Management positions in various business units in Ayala Land, Inc. (i.e. Commercial Centers, Corporate Planning, and Alveo Land, Inc.). His other significant positions include: Chairman of Avida Sales Corp.; President of Avencosouth Corp.; and Director of AmicaSSA Process Solutions, Inc.

Francis O. Monera, Filipino, 59, is a Vice President of ALI since January 2006. He is currently the President of Cebu Holdings, Inc. (CHI) and Cebu Property Ventures & Development Corp. (CPVDC). He has served as a director of CHI and CPVDC since April 2006. Before joining ALI, he was the senior AVP/Corporate Controller of Philippine National Construction Corporation. He served as president of the Cebu Chamber of Commerce and Industry from February 2006 to 2008. He is currently the vice president for Visayas of Philippine Chamber of Commerce and Industry.

Rodelito J. Ocampo, Filipino, 51, is a Vice President of ALI since December 2010. He is currently Makati Development Corporation's Head of Construction. Before his MDC assignment, he served as Technical Services Head of Avida Land Corp. and Alveo Land Corp., wholly owned subsidiaries of ALI and Head of the Construction Management of ALI Residential Buildings. Prior to joining ALI, he was employed by a construction firm where he held various engineering and project management positions for a period of 10 years.

Maria Rowena Victoria M. Tomeldan, Filipino, 52, is a Vice President of ALI since January 2005. She currently heads the Operations and Support Services, Commercial Business. Her other significant positions include: Director of Bonifacio Global City Estate Association, ALI-CII Development Corporation, Alabang Commercial Corporation, Cagayan De Oro Gateway Corporation and Asian I-Office Properties, Inc.; Chairman of the Board of Directors of Ayala Theatres Management, Inc., Five Star Cinema, Inc., Leisure and Allied Industries Phils., Inc., South Innovative Theatre Management, Inc., Hillsford Property Corporation, Sunnyfield E-Office Corporation and North Beacon Commercial Corporation; Vice-Chairman of the Board of Directors of Lagoon Development Corporation; President of Station Square East Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc., Subic Bay Town Center, Inc., Arvo Commercial Corporation, Cavite Commercial Town Center, Inc., Ecozone Power Management, Inc., ALI Property Partners Corp., One Dela Rosa Property Development, Inc., First Gateway Real Estate Corporation, UP North Property Holdings, Inc., Glensworth Development, Inc., Gisborne Property Holdings, Inc., Ayalaland Metro North, Inc., Crestview E-Office Corporation, Summerhill E-Office Corporation, Solerte Corp., and Primavera Towncentre, Inc.; Vice President of Accendo Commercial Corporation; and Governor of the Ayala Center Association;. Presently, she is a member of the International Council of Shopping Centers (ICSC) Asia Advisory Council and the ICSC Asia Research Council.

Solomon M. Hermosura, Filipino, 51, has served as Corporate Secretary of the Compnay since April 2011. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Head of Corporate Governance, General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc. and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala Group.

Sheila Marie U. Tan, Filipino, 46, is the Assistant Corporate Secretay of Ayala Land, Inc. since April 2011 until October 31, 2013. She held the position of Corporate Secretary of Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Makati Development Corporation, and Ayala Property Management Corporation. She was also the Assistant Corporate Secretary of Ayala Corporation. Effective November 2013, however, Ms. Tan has been on leave from these posts in view of her reassignment to one of the companies in the Ayala Group. She was an Associate in Sycip Salazar Hernandez & Gatmaitan Law Firm until she joined Ayala Land, Inc. in 1995. She headed the Legal Department of Ayala Land, Inc. until 2009. Thereafter, she was the Managing Director of the Ayala Group Legal until end October 2013.

ANNEX "B"

I. MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATION

2013 vs. 2012

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 P66.02 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, 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 0.62:1. Return on equity was maintained at 13% in 2013.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End-December 2013	*End-December 2012 (As restated)*
Current ratio [1]	1.45:1	1.41:1
Debt-to-equity ratio [2]	1.04:1	0.91:1
Net debt-to-equity ratio [3]	0.61:1	0.51:1
Profitability Ratios:		
Return on assets [4]	4.9%	5.3%
Return on equity [5]	13.0%	13.0%
Asset to Equity ratio [6]	2.90	2.66:1
Interest Rate Coverage Ratio [7]	6.5	6.7

[1] *Current assets / current liabilities*
[2] *Total debt/ stockholders' equity attributable to equity holders of ALI (Total debt includes short-term debt, long-term debt and current portion of long-term debt)*
[3] *Net debt/ stockholders' equity attributable to equity holders of ALI t (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)*
[4] *Total Net income / average total assets*
[5] *Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI*
[6] *Total Assets /Total stockholders' equity*
[7] *EBITDA/Interest expense*

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2012.

Material changes (+/- 5% or more) in the financial statements

Income Statement items – 2013 versus 2012

36% increase in real estate revenues
Mainly due to the sale of commercial lots in Arca South and strong contributions across all residential brands primarily Ayala Land Premiere, Alveo and Avida coupled with a growing commercial leasing and hotels and resorts businesses.

17% decrease in interest and investment income
Mainly attributed to the effect of the one-time gain on re-measurement of ALI Makati Hotel & Residences, Inc. (AMHRI) and ALI Makati Hotel Property, Inc. (AMPHI) in 2012 and lower interest income on money market placements, despite higher average cash balance.

165% increase in other income
Primary due to the sale of Laguna Technopark's waterworks property and higher management fees.

40% increase in real estate costs and expenses
Mainly driven by development costs related to Arca South commercial lots and residential projects.

25% increase in general and administrative expenses
Primarily due to higher compensation and benefits and donation related expenses.

26% increase in interest expense and other financing charges
Mainly due to higher debt levels.

85% increase in other charges
Largely due to provisions for impairment.

34% increase in provision for income tax
Mainly due to higher taxable income for the period.

26% increase in net income attributable to non-controlling interests
Primarily due to higher income from BG companies.

Balance Sheet items – 2013 versus 2012

13% decrease in cash and cash equivalents
Mainly due to reclassification of UITF to financial asset at fair value through profit or loss.

1% decrease in short-term investments
Primarily due to maturity of short-term investments.

1,778% increase in financial assets at fair value through profit or loss and available- for- sale financial assets
Mainly due to investments in UITF

26% increase in accounts and notes receivables (net)
Largely due to launch of new projects and higher bookings.

59% increase in real estate inventories
Mainly due to incremental project completion and new launches.

13% increase in other current assets
Mainly due to proceeds from the sale of projects in escrow deposits.

15% increase in non-current accounts and notes receivables
Largely due to increased sales of Ayala Land Premier, Alveo and Avida projects.

28% increase in land and improvements
Mainly due to the acquisition of additional land parcels for future development.

18% increase in investments in associates and joint ventures
Largely due to increased in equity in net earnings from FBDC group.

29% decrease in available-for-sale financial assets
Largely due to the redemption of Ayala Corporation preferred shares.

19% increase in investment properties
Largely due to new projects such as Fairview Terraces, Harbor Point, Holiday Inn Makati, and Seda Hotels.

15% increase in property and equipment
Mainly due to new hotel buildings and improvements and installation of district cooling systems in shopping centers.

71% increase in deferred tax assets
Mainly due to higher deferred tax assets on taxable temporary differences.

151% increase in other noncurrent assets
Mainly due to project costs related to Ayala Land resorts.

42% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of existing and new projects

27% increase in short-term debt
Mainly due to new loan availment of ALI-Parent, Amaia and ALI Property Partners Corporation (APPCO).

18% increase in income tax payable
Largely due to higher taxable income

46% decrease in current portion of long-term debt
Primarily due to significant loan payments by ALI-parent.

6% decrease in deposits and other current liabilities
Mainly due to customer deposits from various residential projects.

47% increase in long-term debt – net of current portion
Mainly due to new issuance of fixed rate bonds and new loan availments.

96% increase in pension liabilities
Primarily due to impact of Revised PAS 19 employee benefits.

25% increase in deferred tax liabilities
Mainly due to increase in fair value of AMHRI and AMHPI.

18% increase in deposits and other noncurrent liabilities
Primarily due to increase in liability for purchased land.

30% increase in paid up capital
Mainly due to top up placement amounting to P12.2 billion.

7% decrease in stock options outstanding
Primarily due to issuance of ESOP and ESOWN shares.

13% decrease in unrealized gain on available-for-sale financial assets
Primarily due to the presence of unrealized gain in Ayala Corporation's preferred redeemed in 2013.

107% increase in actuarial loss on pension obligation
Primarily due to impact of revised PAS19 related to employee benefits.

15% increase in retained earnings
Mainly due to increase in income.

100% decrease in treasury stock
Largely attributed to retirement of redeemed preferred shares.

Risks

Ayala Land is subject to significant competition in each of its principal businesses. Ayala Land competes with other developers and developments to attract land and condominium buyers, shopping center and office tenants, and customers of the retail outlets, restaurants, and hotels and resorts across the country.

However, Ayala Land believes that, at present, there is no single property company that has a significant presence in all sectors of the property market.

High-End, Middle-Income, Affordable Residential, and Economic and Socialized Housing Developments

With respect to high-end and middle-income land and condominium sales, Ayala Land competes for buyers primarily on the basis of reputation, reliability, price and the quality and location of the community in which the relevant site is located. For the affordable, economic and socialized housing markets, Ayala Land competes for buyers based on quality of projects, affordability of units and availability of in-house financing. Ayala Land is also actively tapping the overseas Filipino market.

Shopping Center, Office Space and Land Rental

For its shopping centers, Ayala Land competes for tenants primarily based on the ability of the relevant shopping center to attract customers - which generally depend on the quality and location of, and mix of tenants in, the relevant retail center and the reputation of the owner of the retail center - and rental and other charges. The market for shopping centers has become especially competitive and the number of competing properties is growing. Some competing shopping centers are located within relatively close proximity of each of Ayala Land's commercial centers.

With respect to its office rental properties, Ayala Land competes for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. The Company is addressing the continuing demand from BPOs by providing fully integrated and well maintained developments (high rise or campus facility) in key locations in the country.

Hotel and Resort Operations

The local hotel and resort sector is largely driven by foreign and local travel for leisure or business purposes. Any slowdown in tourism and business activity due to global financial and local political turmoil and security concerns could potentially limit growth of the Company's hotels and resorts.

Construction

Ayala Land's construction business is benefiting from the improved performance of the construction industry, particularly from an uptick in development activities mostly from the residential and retail sectors. Any slowdown in the construction business could potentially cap growth of the Company's construction arm.

Other risks that the company may be exposed to are the following:

- Changes in Philippine and international interest rates
- Changes in the value of the Peso
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry

- Changes in the country's political and economic conditions
- Changes in the country's liquidity and credit exposures

To mitigate the above mentioned risks, Ayala Land shall continue to adopt appropriate risk management tools as well as conservative financial and operational controls and policies to manage the various business risks it faces.

2012 vs. 2011 (As restated)

Ayala Land, Inc. ("ALI" or "the Company") posted a record Php9.04 billion in net income for the year 2012, 27% higher than the Php7.14 billion recorded the previous year. Consolidated revenues reached Php59.93 billion, 26% higher year-on-year. Revenues from Real Estate, which comprised the bulk of consolidated revenues, increased by 23% to Php54.71 billion primarily driven by the robust performance of the Property Development business.

Margins of the Company's key business lines continued to improve with strict control of project costs and direct operating expenses (discussed below in the Business Segment review). Corporate costs remain under control with the ratio of General and Administrative Expenses (GAE) to revenues maintained at 8% for two consecutive years. With total revenue growth outpacing the growth of total expenses, net income margin before non-controlling interest improved to 19% in 2012 from 18% 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 units, commercial and industrial lots, registered revenues of Php34.46 billion in 2012, 36% higher than the Php25.41 billion recorded in 2011.

Revenues from the residential business reached Php31.88 billion in 2012, 32% higher than the Php24.22 billion reported the previous year, driven by higher bookings, steady project launches and continuous progress on construction across all residential brands. Ayala Land Premier (ALP) generated Php11.56 billion in revenues or an improvement of 17% year-on-year on the back of increased bookings in projects namely Park Terraces Makati, The Suites Bonifacio Global City (BGC) and Elaro in NUVALI. Alveo and Avida also registered year-on-year revenue growth of 36% and 51% to Php7.96 billion and Php9.03 billion, respectively, following the strong sales and bookings of newly-launched projects such as The Maridien Towers (BGC), Solinea Towers 1 and 2 (Cebu), Kasa Luntian Phase 1 (Tagaytay), Lerato (Makati), and Vesta in NUVALI for Alveo, and Avida Towers Centera 1-3 (Mandaluyong City), Avida 34th Street Tower 1 (BGC), Avida Cityflex Tower 2 (BGC), Avida Parkway Settings (NUVALI), Avida Settings Cavite, Avida Village NUVALI, Avida Ridgeview Estates NUVALI, Avida Cebu Tower 2, Avida Alabang Tower 2, Avida New Manila Tower 5 and Avida San Lorenzo Tower 2. Residential brand Amaia, catering to the economic housing segment, significantly increased its contribution to residential revenues in 2012 as it generated Php1.58 billion, 88% higher than the Php841 million earned in 2011, primarily from the strong performance of Amaia Scapes Bacolod and Cabanatuan and newly-launched projects in Cavite, Lipa, Novaliches, Cubao, Sta. Mesa and Avenida.

Sales take-up value in 2012 reached Php77.61 billion, equivalent to an average monthly sales take-up of Php6.47 billion that is 50% higher than the Php4.31 billion average monthly sales take-up achieved the previous year. Residential gross profit (GP) margins of vertical projects improved to 35% from 33% with the impact of various cost control initiatives to lower project construction costs, while GP margins of horizontal developments declined slightly to 45% from 46% due to a shift in mix towards more house and lot packages rather than the sale of lots. The Company's four residential brands, together with fifth brand Bella Vita that caters to the socialized housing segment, launched a total of 23,487 units in 2012. For 2013, the Company is anticipating continued demand for residential products and will be launching around 31,000 units across all residential brands.

Revenues from the sale of commercial and industrial lots grew by 107% in 2012 to Php2.47 billion, largely due to the sale of 25 commercial lots in NUVALI. However, GP margins dropped to 50% from 54% as the institutional raw land sale to Miriam College in NUVALI carried a lower margin.

Commercial Leasing. Commercial Leasing includes the Company's Shopping Center and Office Leasing operations. Total revenues for Commercial Leasing amounted to Php12.46 billion in 2012, 12% higher than the Php11.12 billion recorded the previous year.

Revenues from Shopping Centers increased by 11% to Php9.49 billion in 2012, driven by higher average lease rates and expanded gross leasable area (GLA). Average lease rates rose in 2012 by 3% brought about by negotiated and programmed rental escalations. The retail environment remained buoyant as same-store sales for building and land leases increased by 6% and 12%, respectively. The opening of Harbor Point Mall in Subic, Centrio Mall in Cagayan de Oro and the New Glorietta, resulted in an 8% expansion in occupied GLA. The earnings before interest, taxes, depreciation and amortization (EBITDA) margin of shopping centers increased to 62% from 60% the previous year due to improved mall operations and effective management of direct operating expenses. Average occupancy rate across all malls slightly dropped to 94% compared with 96% in 2011 due to the additional GLA from newly-opened malls.

Revenues from Office leasing operations rose by 14% to Php2.97 billion in 2012 from Php2.60 billion 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 19% year-on-year (an increase of 56,161 square meters). Total available BPO GLA reached 354,822 square meters as of year-end, while average BPO lease rates remained steady at Php589 per square meter. This was achieved despite a change in the portfolio mix as some of the increase in occupied GLA were in provincial (and therefore lower rent) locations. The improvement in occupied BPO space accounted for the two percentage-point improvement in the EBITDA margin of the total office portfolio, which reached 82% in 2012.

Hotels and Resorts. Revenues of the Company's Hotels and Resorts business improved by 9% to Php2.45 billion in 2012. This is attributed to a 4% improvement in revenues per available room (REVPAR) for the hotel portfolio and a 30% improvement in REVPAR for the El Nido chain of resorts. A total of 42 island resort rooms in Pangulasian Island augmented the existing 150 leisure accommodations in the El Nido resort in Palawan, while Fairmont and Raffles Hotel in Makati added 312 rooms, and Seda Hotel BGC and Seda Hotel Cagayan de Oro added 179 rooms and 150 rooms, respectively. The Hotels and Resorts portfolio now operates a total of 1,467 hotel rooms including premium brands Hotel InterContinental Manila and Cebu City Marriott. EBITDA margins for Hotels and Resorts however declined to 15% from 29% due to pre-operating costs of the newly-opened facilities. The Company is set to unveil a new Holiday Inn & Suites hotel in Makati by the second quarter of 2013 and two more Seda hotels, in Davao and NUVALI, by the end of 2013 which collectively will add another 647 rooms to the total inventory.

Services. Services, comprised of the Company's wholly-owned Construction and Property Management businesses, generated combined revenues (net of inter-company eliminations) of Php5.33 billion in 2012. This was 15% lower than the Php6.26 billion posted in 2011 following Makati Development Corporation's deliberate move to focus on Ayala Land projects. Only revenues from third-party contracts are reflected as construction revenues in consolidated Company accounts. Before inter-company eliminations, construction revenues actually increased by 40% to Php19.24 billion compared to Php13.77 billion in 2011, while Property Management revenues grew 2% to Php1.14 billion in 2012 due to higher carpark revenues, compared with Php1.11 billion the previous year. The blended EBITDA margin for Services declined by one percentage-point to 7%, due to lower margins from internal contracts.

Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income

Equity in Net Earnings from Investees rose by 38% to Php536 million in 2012 from Php389 million the previous year, mainly as a result of higher contributions from FBDC companies. Interest, Investment and Other Income meanwhile grew by 166% to Php4.69 billion in 2012 compared with the Php1.76 billion the previous year. The increase was accounted for mostly by higher average cash balance, increase in management fees and the accretion of interest income.

Expenses

Total expenses amounted to Php45.39 billion in 2012, 26% more than the Php36.07 billion incurred in 2011. Cost of Sales from Real Estate, which accounted for the bulk of expenses, rose 23% year-on-year to Php37.03 billion. GAE meanwhile grew by 26% to Php4.73 billion, partly because of the increase in manpower-related expenses for the new hotels and resorts facilities. Nevertheless, GAE-to-revenue ratio remained at 8% in 2012. Interest Expense, Financing and Other Charges increased by 57% year-on year to Php3.63 billion, mostly due to higher debt levels. While total financing charges increased, the average cost of the Company's consolidated debt decreased to 5.4%, from 6.3% in 2011.

Project and Capital Expenditure

The Company spent a record high of Php71.29 billion in capital expenditures in 2012, 138% more than the Php29.91 billion spent the previous year. Residential development accounted for 23% of the total, while 57% was spent for land acquisition, which includes Php22.6 billion initial payment made in November for the 74-hectare Food Terminal Inc. property located in Taguig City. Shopping centers, hotels and resorts, offices and other land development activities accounted for the balance of 10%, 7%, 2% and 1%, respectively. For 2013, the Company has allotted another Php65.5 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 over the coming years. The total value of the 69 projects that are expected to be launched this year is estimated to be at around Php129 billion.

Financial Condition

The Company's balance sheet remained strong with sufficient capacity to carry out its aggressive growth plans in the following years. Strong cash inflows from the successful pre-sales of various residential launches as well as proceeds from the Php3.0 billion notes and Php15.0 billion bonds, as well as the Php1.0 billion Homestarter Bond issued in 2012 brought Cash and Cash Equivalents to Php32.14 billion. Current Ratio stood at 1.41: 1, with total borrowings at Php74.78 billion as of December 2012. Debt-to-Equity Ratio was at 0.91: 1 while Net Debt-to-Equity Ratio increased to 0.51: 1. Return on equity increased one-percentage point year-on-year to 13% in 2012.

Retained earnings amounting to P6.0 billion was appropriated for future expansion. The amount represents a continuing appropriation for land banking activities and planned building construction projects (see Note 20 of AFS). 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 Ayala Land's mixed-use developments. Each year ALI incurs residential capital expenditures for property development which includes among others land banking and building construction projects. The annual appropriation by ALI 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 P6.0 billion appropriation, hence the Company will provide future appropriation as the need arises.

Ayala Land's retained earnings available for dividend declaration as of December 31, 2012 and 2011 amounted to P19.9 billion and P19.2 billion, respectively. On February 19, 2013, the Company declared cash dividends at P0.14787806 per common share, payable on March 19, 2013 to stockholders of common shares as of record date on March 5, 2013.

Key Financial Performance Indicators

The table below sets forth the comparative performance indicators of the Company and its majority-owned subsidiaries:

	End-December 2012 (As restated)	*End-December 2011 (As restated)*
Current ratio [1]	1.41:1	1.64:1
Debt-to-equity ratio [2]	0.91:1	0.63:1
Net debt-to-equity ratio [3]	0.51:1	0.19:1
Profitability Ratios:		
Return on assets [4]	5.3%	6.0%
Return on equity [5]	13%	12.0%
Asset to Equity ratio [6]	2.66:1	2.19:1
Interest Rate Coverage Ratio [7]	6.7	7.4

[1] *Current assets / current liabilities*

[2] *Total debt/ stockholders' equity attributable to equity holders of ALI (Total debt includes short-term debt, long-term debt and current portion of long-term debt)*
[3] *Net debt/ stockholders' equity attributable to equity holders of ALI t (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)*
[4] *Total Net income / average total assets*
[5] *Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI*
[6] *Total Assets /Total stockholders'equity*
[7] *EBITDA/Interest expense*

Material changes (+/- 5% or more) in the financial statements

Income Statement items – 2012 versus 2011

22% increase in real estate revenues
Mainly due to higher sales from newly launched residential projects such as Park Terraces, Abreeza Residences and Serendra West Tower of Ayala Land Premier and Centera Towers and Parkway Settings of Nuvali, and growth in leasing and hotel businesses.

152% increase in interest and investment income
Mainly due to one-off remeasurement gain of previously held equity interest in ALI Makati Hotels & Residences Inc. (AMHRI) and ALI Makati Hotel Property Inc. (AMHPI) and higher interest income.

38% increase in equity in net earnings of associates and joint ventures
Largely due to higher contribution from FBDC companies.

45% decrease in other income
Mainly due to higher development management fees and foreign exchange gains.

23% increase in real estate costs and expenses
Mainly due to higher real estate revenues and consolidation of AMHRI and AMHPI.

26% increase in general and administrative expenses
Primarily due to higher payroll costs and start up costs for new hotels.

56% increase in interest expense and other financing charges
Mainly due to higher debt levels.

68% increase in other charges
Largely due to provisions for impairment.

15% increase in provision for income tax
Mainly due to higher taxable income for the period.

27% increase in net income attributable to non-controlling interests
Primarily due to higher income from NUVALI companies.

Balance Sheet items – 2012 versus 2011

18% increase in cash and cash equivalents
Mainly proceeds from the issuance of new common shares and fixed rate bonds, sale of account receivables, increased collections and loan availments.

92% decrease in short-term investments
Primarily due to maturity of short-term investments.

100% increase in financial assets at fair value through profit or loss
Mainly due to reclassification of investment in Arch Capital Asian Partners L.P

52% increase in accounts and notes receivables (net)
Largely due to launch of new projects and higher bookings.

19% increase in real estate inventories
Mainly due to incremental project completion of existing and new projects.

138% increase in other current assets
Mainly due to prepayments on Alveo and Avida land acquisitions.

80% increase in non-current accounts and notes receivables
Largely due to increased sales of Ayala Land Premier, Avida and higher bookings of Alveo projects.

33% decrease in available-for-sale financial assets
Largely due to sale of fixed income securities of ALI-Parent.

161% increase in land and improvements
Mainly due to acquisition of Food Terminal Inc. property.

21% increase in investment properties
Largely due to new projects such as Holiday Inn & Suites Makati, Seda Hotels, Centrio Mall and Ayala Center redevelopment.

174% increase in property and equipment
Mainly due to acquisition of AMHRI & AMHPI.

40% increase in deferred tax assets
Mainly due to difference between tax and book basis of accounting for real estate transactions.

30% increase in other noncurrent assets
Mainly due to exploratory expenses and goodwill on hotel acquisition.

42% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of existing and new projects

84% increase in short-term debt
Mainly due to new loan availment of ALI-Parent, Alveo, Avida and ALI Property Partners Corporation (APPCO).

235% increase in income tax payable
Largely due to higher taxable income

254% increase in current portion of long-term debt
Primarily due to ALI-Parent bond payables.

248% increase in deposits and other current liabilities
Mainly due to increase in customer deposits.

83% increase in long-term debt – net of current portion
Mainly due to new issuance of fixed rate bonds and higher interest expense.

96% increase in pension liabilities
Primarily due to higher contribution of companies with net liability position.

37% increase in deferred tax liabilities
Mainly due to fair value adjustments arising from business combination.

121% increase in deposits and other noncurrent liabilities
Primarily due to increase in customer and security deposits, and deferred income from projects.

80% increase in paid up capital
Mainly due to top up placement amounting to P12.2 billion.

14% increase in retained earnings
Mainly due to increase in income.

8% decrease in stock options outstanding
Primarily due to issuance of ESOP shares.

142% increase in actuarial loss on pension obligation
Primarily due to impact of revised PAS19 related to employee benefits.

28% decrease in net unrealized gain on available-for-sale financial assets
Primarily due to sale of fixed income securities, and lower revaluation on preferred shares of Ayala Corporation

158% increase in treasury stock
Largely attributed to redemption of preferred shares.

Upon the written request of a stockholder, the Company undertakes to furnish said stockholder with a copy of SEC Form 17-A free of charge. Any written request for a copy of SEC Form 17-A shall be addressed to the following:

Ayala Land, Inc.
30/F Tower One and Exchange Plaza
Ayala Triangle
Ayala Avenue, Makati City
1226

Attention: **Mr. Jaime E. Ysmael**
Senior Vice President & Chief Finance Officer

II. MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY

A) Principal Market where the Registrant's Common equity is traded.

Philippine Stock Exchange
Prices (in PhP/share)

	High		Low		Close	
	2013	2012	2013	2012	2013	2012
First Quarter	33.25	22.10	25.85	15.22	32.70	20.75
Second Quarter	35.70	22.50	26.30	18.84	30.40	21.60
Third Quarter	31.60	24.50	23.00	19.90	27.25	23.85
Fourth Quarter	31.20	26.95	23.70	22.25	24.75	26.45

The market capitalization of ALI as of end-2013, based on the closing price of ₱24.75/share, was approximately ₱350.8 billion.

The price information as of the close of the latest practicable trading date March 11, 2014 is ₱29.30.

B) *Holders*

The following are the top 20 registered holders of the common equity securities of the Company:

Common Stockholders: There are approximately 9,920 registered holders of common shares of the Company as of January 31, 2014.

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1.	Ayala Corporation	6,934,509,515	48.9266%
2.	PCD Nominee Corp. (Non-Filipino)	5,597,297,327	39.4919%
3.	PCD Nominee Corp. (Filipino)	1,350,023,910	9.5251%
4.	ESOWN Administrator 2009	20,879,667	0.1472%
5.	ESOWN Administrator 2012	17,572,570	0.1240%
6.	ESOWN Administrator 2010	14,631,577	0.1032%
7.	ESOWN Administrator 2013	12,946,668	0.0913%
8.	ESOWN Administrator 2011	11,752,322	0.0829%
9.	ESOWN Administrator 2006	8,131,153	0.0574%
10.	ESOWN Administrator 2008	7,122,885	0.0502%
11.	Jose Luis Gerardo Yulo	6,783,948	0.0478%
12.	Estrellita B. Yulo	5,732,823	0.0404%
13.	ESOWN Administrator 2005	5,221,057	0.0368%
14.	Pan Malayan Management and Investment Corp.	4,002,748	0.0282%
15.	Ma. Angela Y. La O'	3,728,620	0.0263%
16.	Ma. Lourdes G. Latonio	3,624,650	0.0256%
17.	ESOWN Administrator 2007	3,574,036	0.0252%
18.	Lucio W. Yan	3,483,871	0.0246%
19.	Telengtan Brothers & Sons, Inc.	3,480,000	0.0245%
20.	Emilio Lolito J. Tumbocon	3,376,230	0.0238%

Voting Preferred Stockholders: There are approximately 2,762 registered holders of voting preferred shares of the Company as of January 31, 2014.

	Stockholder Name	No. of Common Shares	Percentage (of voting preferred shares)
1.	Ayala Corporation	12,163,180,640	93.0868%
2.	HSBC Manila OBO A/C 000-171512-554	513,222,800	3.9278%
3.	Government Service Insurance System	156,350,871	0.1966%
4.	HSBC Manila OBO A/C 000-171512-571	15,051,000	0.1152%
5.	DB MLA OBO SSBTC Fund HG16	15,000,000	0.1148%
6.	Wealth Securities, Inc.	14,825,373	0.1135%
7.	DB MLA OBO SSBTC Fund SSO1	13,670,744	0.1046%
8.	Samuel Villes Santos and/or Luzviminda Lat Santos	12,001,800	0.0918%
9.	DB MLA OBO SSBTC Fund C021	8,497,223	0.0650%
10.	Investors Securities, Inc.	6,251,770	0.0478%
11.	First Metro Securities Brokerage Corporation	5,103,853	0.0391%
12.	Deutsche Bank AG Manila OBO BNYM AC 12140004162	4,943,400	0.0378%
13.	HSBC Manila OBO A/C 000-171512-551	4,484,748	0.0343%
14.	DB MLA OBO SSBTC Fund FA20	3,951,800	0.0302%
15.	Deutsche Regis Partners, Inc.	3,896,157	0.0298%
16.	Papa Securities Corporation	3,536,538	0.0271%
17.	DB MLA OBO SSBTCc Fund FA2N	3,534,608	0.0270%
18.	Maybank ART Kim Eng Securities, Inc.	3,479,514	0.0266%
19.	Ansaldo, Godinez & Co., Inc.	3,388,848	0.0259%
20.	Belson Securities, Inc.	2,800,874	0.0214%

C) *Dividends*

STOCK DIVIDEND (Per Share)			
PERCENT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
20%	February 1, 2007	May 22, 2007	June 18, 2007

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.0733	Feb. 24, 2011	March 23, 2011	April 15, 2011
0.0733	Aug. 26, 2011	Sept. 20, 2011	Oct. 5, 2011
0.109488	Feb. 20, 2012	March 7, 2012	March 27, 2012
0.10385223	Aug. 24, 2012	Sept. 17, 2012	Oct. 8, 2012
0.14787806	Feb. 19, 2013	March 5, 2013	March 19, 2013
0.14348287	Aug. 22, 2013	Sept. 6, 2013	Sept. 20, 2013
0.20711082	Feb. 21, 2014	March 7, 2014	March 21, 2014

Dividend policy

Dividends declared by the Company 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 CAPEX and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company's Board 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 Company's Board of Directors and the Company's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

D) *Recent Sale of Securities*

For the past three years, common shares were issued representing the exercise of stock options by the Company's executives under the Executive Stock Option Plan (ESOP) and the subscription to the common shares under the Executive Stock Ownership Plan (ESOWN) as follows:

Year	No. of Shares	
	ESOP (exercised)	ESOWN (subscribed)
2011	3.2 Million	14.8 Million
2012	6.6 Million	25.2 Million
2013	3.2 Million	18.8 Million

The aforesaid issuance of shares was covered by the Commission's approval of the Company's Stock Option Plan on July 1991 and subsequently on March 2006.

On June 29, 2012, the SEC approved the Company's application for an increase in authorized capital stock from ₱21.5B to ₱22.8B to cover the offering and issuance of new 13.034 Billion voting preferred shares to common shareholders of the Company. The said issuance of the shares is an exempt transaction under Section 10.1 (e) of the SRC, "The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock."

On July 16, 2012, Ayala Corporation executed the placement of, and subscription to the Company's 680,000,000 common shares at ₱30.20 per share or an aggregate of ₱13.6 billion. The placement price of ₱30.20 per share was at a 4.988% discount to the Company's closing price of ₱21.05 per common share on July 10, 2012 and was the agreed clearing price among the purchasers of the shares and the placement agents, Goldman Sachs (Singapore) Pte., J.P. Morgan Securities plc and UBS AG.

On March 12, 2013, Ayala Corporation executed the placement of, and subscription to the Company's 399,528,229 common shares at ₱30.50 per share or an aggregate of ₱12.2 billion. The placement price of ₱30.50 per share was at a 3.6% discount on the 5-day volume-weighted average price of the Company's stock and was the agreed clearing price among the purchasers of the shares and the placement agent, UBS Investment Bank.

The Company filed Notices of Exemption with the SEC for the issuance of the 680,000,000 and 399,528,229 common shares under the following provisions of the SRC:

SRC Subsection 10.1 (h), "Broker's transaction, executed upon customer's orders, on any registered Exchange or other trading market."

SRC Subsection 10.1 (k), "The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve-month period."

SRC Subsection 10.1 (l), "The sale of securities to banks, insurance companies, and investment companies."

E) *Corporate Governance*

i. The evaluation system which was established to measure or determine the level of compliance of the Board and top level management with its Revised Manual of Corporate Governance consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Company's Revised Manual of Corporate Governance to the Securities and Exchange Commission.

ii. To ensure good governance, 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. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.

iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

ANNEX "C"

NATURE AND SCOPE OF BUSINESS

Ayala Land is the leading and most diversified real estate company in the Philippines. It has organized its operations into several business lines.

Property Development

Residential Business - sale of high-end residential lots and units (including leisure community developments), middle-income residential lots and units, affordable lots, units and house and lot packages, economic housing units and house and lot packages, and socialized housing packages; lease of residential units; marketing of residential developments

Strategic Landbank Management and Visayas-Mindanao - acquisition, development and sale of large, mixed-use, masterplanned communities; sale of override units or Ayala Land's share in properties made available to subsidiaries for development; lease of gas station sites and carparks outside Ayala Center; development, sale and lease of the Company and subsidiaries' product offerings in key cities in the Visayas and Mindanao regions

Commercial Leasing

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 operations of malls which are co-owned with partners

Corporate Business - development and lease or sale of office buildings; sale of industrial lots and lease of factory buildings

Hotels and Resorts

Hotels - development, operation and management of branded and owner-operated hotels; lease of land to hotel tenants

Resorts - development, operation and management of eco-resorts

Services

Construction – land development and construction of ALI and third-party projects

Property management – facilities management of ALI and third-party projects; operation of water and sewage treatment facilities in some ALI projects

In addition to above business lines, Ayala Land also derives other income from its investment activities and sale of non-core assets.

AyalaLand

**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.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the 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 & Chief Executive Officer

JAIME E. YSMAEL
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 2 1 2014 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Fernando Zobel de Ayala	EB5445983	22 May 2012 – Manila
Antonino T. Aquino	EB84375196	30 June 2013 – Manila
Jaime E. Ysmael	EB6092044	6 August 2013 – Manila

Doc. No. 253 ;
Page No. 52 ;
Book No. IX ;
Series of 2014.

Notarial DST pursuant to
Sec. 188 of the Tax Code
affixed on Notary Public's copy.

ROBERTO T. ONGSIAKO
NOTARY PUBLIC
ROLL NO. 37041
MAKATI CITY, PHILIPPINES

ROBERTO T. ONGSIAKO
Notary Public – Makati City
Appt. No. 278 until December 31, 2014
Attorney's Roll No. 37041
PTR No. 4232757MC; 01-07-2014; Makati City
IBP Lifetime Roll No. 02163
MCLE Compliance No. IV – 0014192; 03-20-2013
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

SGV
Building a better working world

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

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

(Forward)

	Years Ended December 31		
	2013	2012 (As restated – Note 2)	2011 (As restated – Note 2)
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

(Forward)

		Years Ended December 31	
	2013	2012 (As restated – Note 2)	2011 (As restated – Note 2)
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
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.

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:

	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	–
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	–
Allysonia International Ltd.	**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**	–	–
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**	–	–

	Percentages of Ownership		
	December 31		January 1,
	2013	2012	2012
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100	100
Arvo Commercial Corporation (Arvo)	**100**	100	–
BellaVita Land Corporation (BellaVita)	**100**	100	–
Nuevo Centro, Inc. (Nuevo Centro)	**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

	Percentages of Ownership		
	December 31		January 1,
	2013	2012	2012
MDC - Build Plus, Inc.	**100**	100	–
MDC Conqrete, Inc. (MCI)	**100**	–	–
MDC Equipment Solutions, Inc. (MESI)	**100**	–	–
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	–
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	–
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

	Percentages of Ownership		
	December 31		January 1,
	2013	2012	2012
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**	100	100
Studio Ventures, Inc. (SVI)	**–**	100	100
AyalaLand Club Management, Inc.	**100**	100	100
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:

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 2^{nd} 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.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
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

(Forward)

	Years ended December 31 2012	2011
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.

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

Financial Instruments
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.

Deposits and Retentions Payable
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.

Derecognition of Financial Assets and Liabilities
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of 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.

Offsetting Financial Instruments
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.

Inventories
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.

Share-based Payments
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)	–	(7,198)	–	–	–	–	(726)	(7,924)
Accounts written off	–	(45,615)	–	–	–	(1,739)	–	(47,354)
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:

<u>**2013**</u>

	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**

<u>2012</u>

	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

**Pertains to land to be developed for sale which was transferred to "Inventories" account.*

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

(Forward)

	Percentages of Ownership			Carrying Amounts		
	December 31		January 1,	December 31		January 1,
	2013	2012	2012	**2013**	2012	2012
					(In Thousands)	
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 income (loss) from continuing operations	**(49,655)**	(31,667)	(43,108)
Share in total comprehensive income (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 (loss) from continuing operations	**465,237**	467,731	306,821
Share in total comprehensive income (loss)	**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.

<u>Investment in ARCH Capital Fund</u>
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.

<u>Investment in AMHRI</u>
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.

<u>Investment in SIAL Specialty</u>
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.

<u>Investment in SIAL CVS</u>
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

(Forward)

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
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
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
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
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 bond 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 bond due 2015 with fixed rate equivalent to 5.00% p.a. The Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a 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 a "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 loan 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 appropriation, 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
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

(Forward)

	December 31		January 1,
	2013	2012	2012
		(In Thousands)	
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 5th 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. Remeasurement 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

(Forward)

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
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

(Forward)

	2013	2012	2011
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.

<u>ESOP</u>
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
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 <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	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 <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	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						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	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					Past Due but not Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Unrated	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

Change in basis points	Effect on equity Increase (decrease) + 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.

<u>Development Commitment</u>
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**

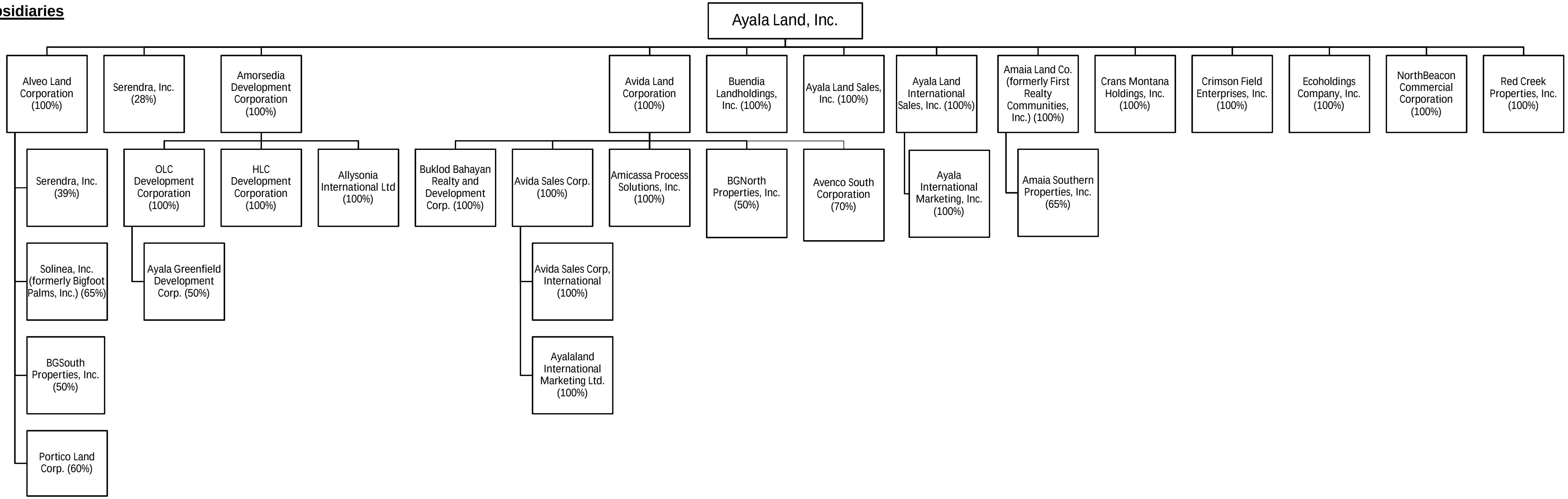
On January 24, 2014, the Company has formally signed a 50%-50% Joint Venture Agreement (JVA) with Aboitizland, Inc. for the development of a 15-hectare mixed-used community in Mandaue City, Cebu. The Company subsequently assigned 20% of its interest in the JVA with Aboitizland to CHI and 10% to CPVDC. Total investment commitment of the Group under this JVA amounts to ₱1,500.0 million.

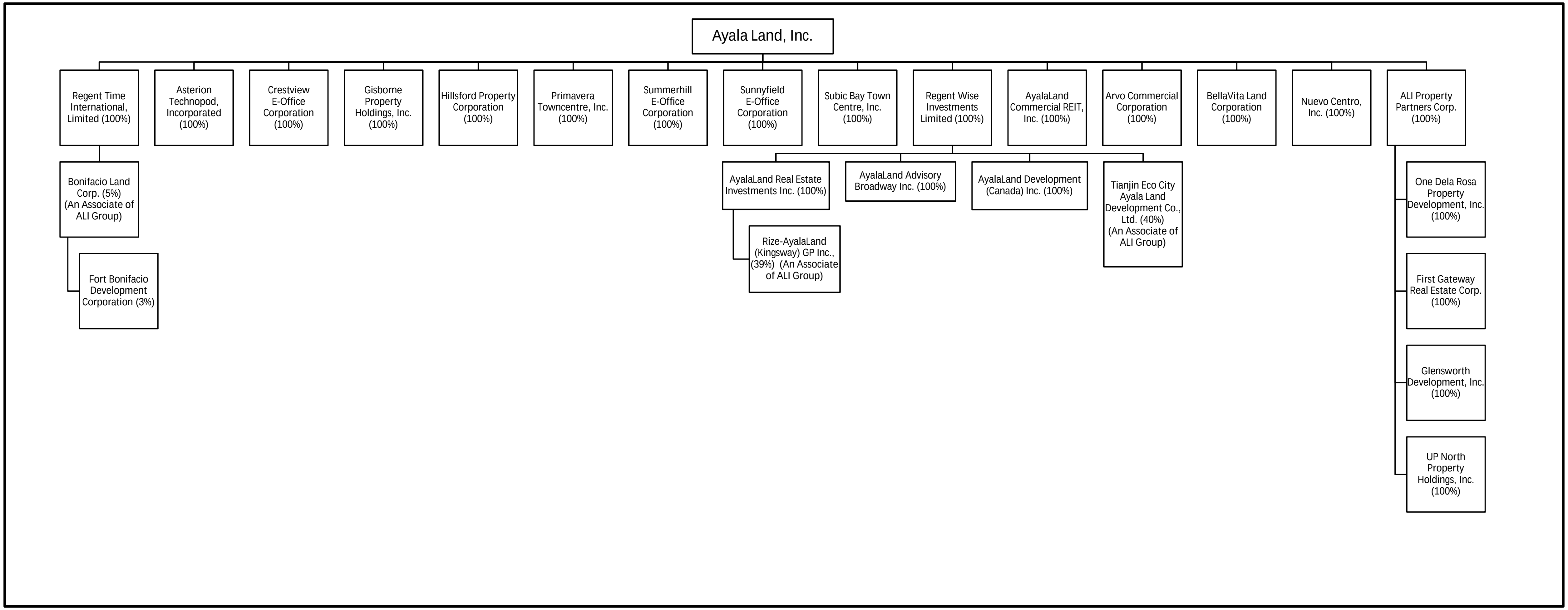
On February 21, 2014, the BOD approved the declaration of cash dividends amounting to ₱0.20711082 per outstanding common share. Further, the BOD also declared annual cash dividends of 4.74786% per year or ₱0.00474786 per share to all shareholders of the Company's unlisted voting preferred shares. These will be paid out on June 30, 2014 to shareholders on record as of June 16, 2014.

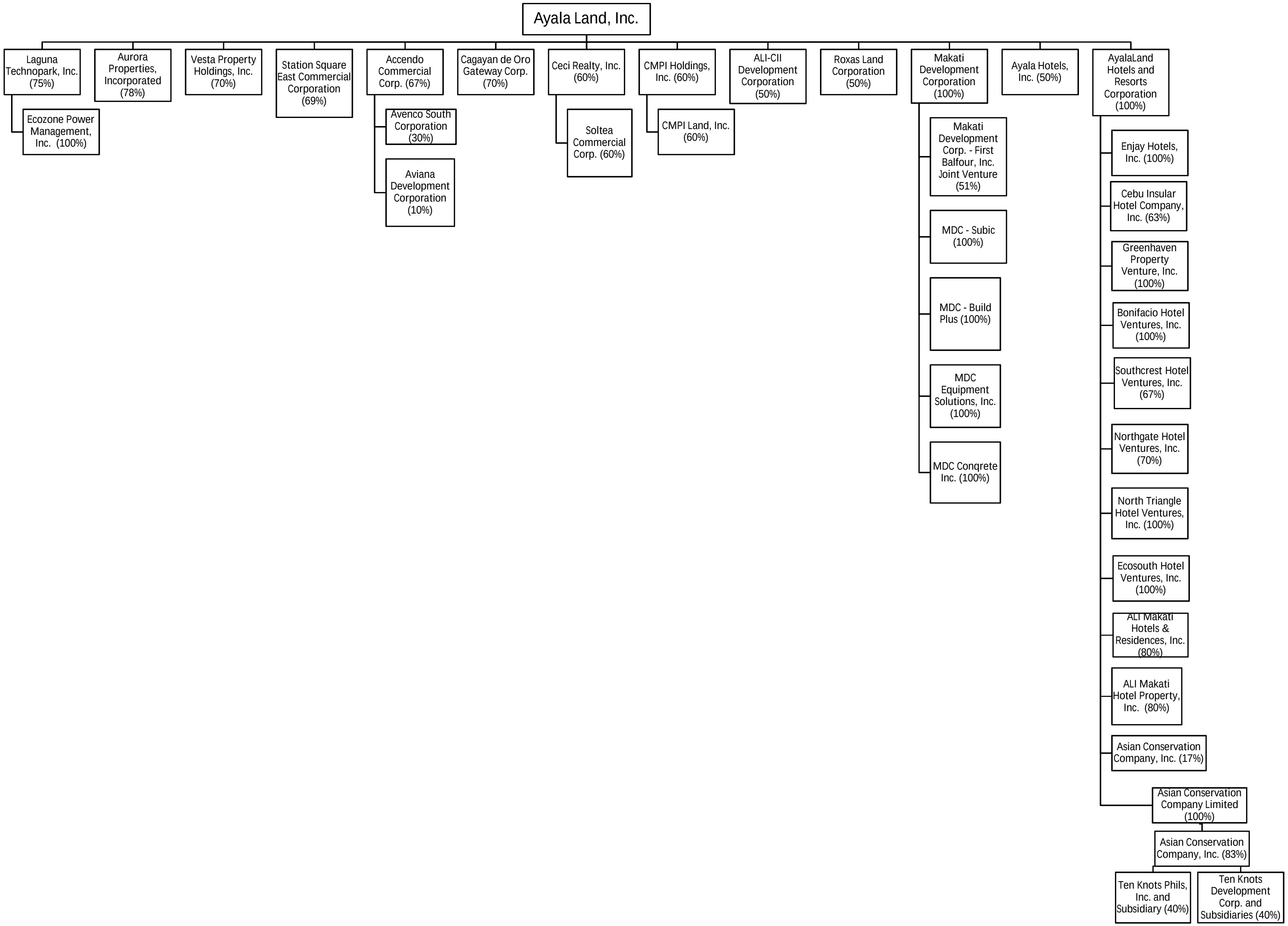
AYALA LAND, INC.
SCHEDULE I - RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2013

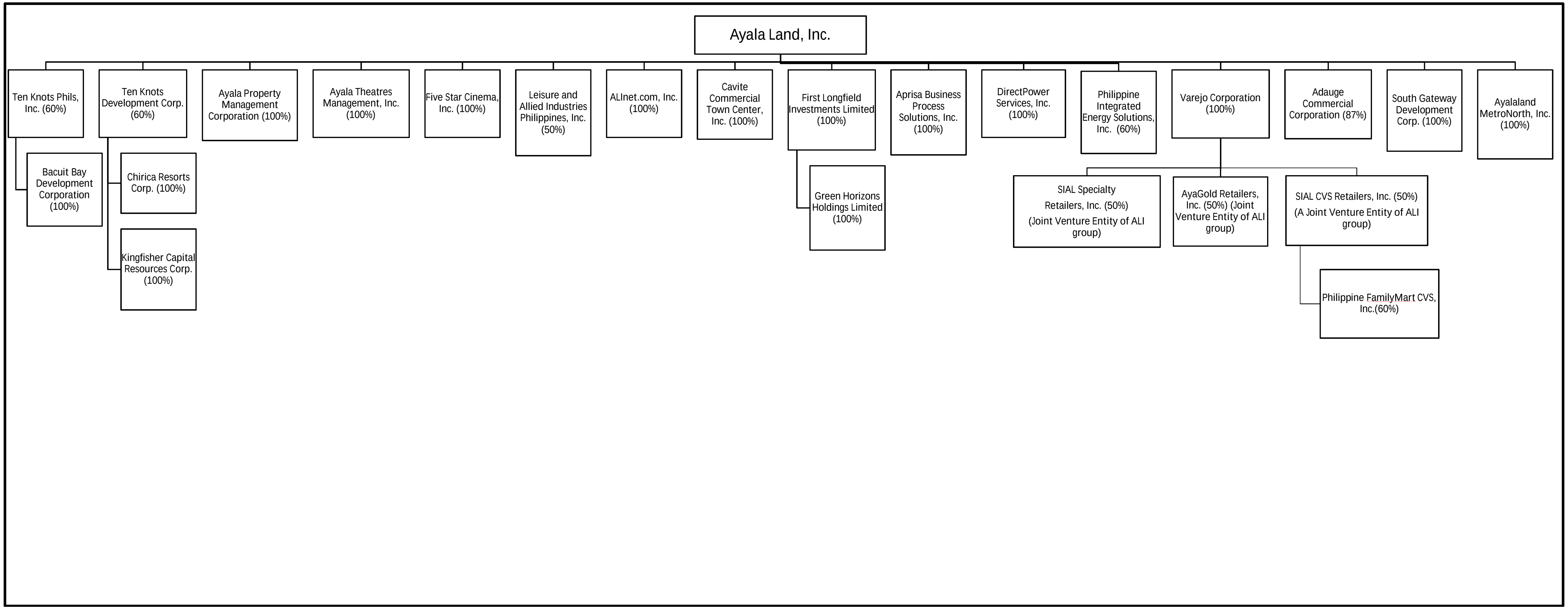
Unappropriated Retained Earnings, beginning			Php	23,615,474,829
Less adjustments:				
Treasury shares	Php	(2,127,427,858)		
Deferred tax assets		(1,002,783,094)		
Fair Value adjustment		(593,852,588)		(3,724,063,539)
Unappropriated Retained Earnings, as adjusted, beginning				19,891,411,290
Net Income based on the face of AFS	Php	6,477,002,236		
Less: Non-actual/unrealized income net of tax				
Equity in net income of associate/joint venture				
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain				
Fair value adjustment (M2M gains)				
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain				
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (Actuarial loss on pension liabilities)		(383,919,849)		
Add: Non-actual losses				
Depreciation on revaluation increment (after tax)				
Adjustment due to deviation from PFRS/GAAP – loss				
Loss on fair value adjustment of investment property (after tax)				
Net Income Actual/Realized		6,093,082,387		
Less: Other adjustments				
Amount of provision for deferred tax during the year		(754,281,582)		
Dividend declarations during the period		(4,129,312,526)		
Effects of prior period adjustments (PAS 19R)		(57,721,639)		
Reversal of Treasury shares		2,127,427,857		3,279,194,497
Unappropriated Retained Earnings, as adjusted, ending			**Php**	**23,170,605,786**

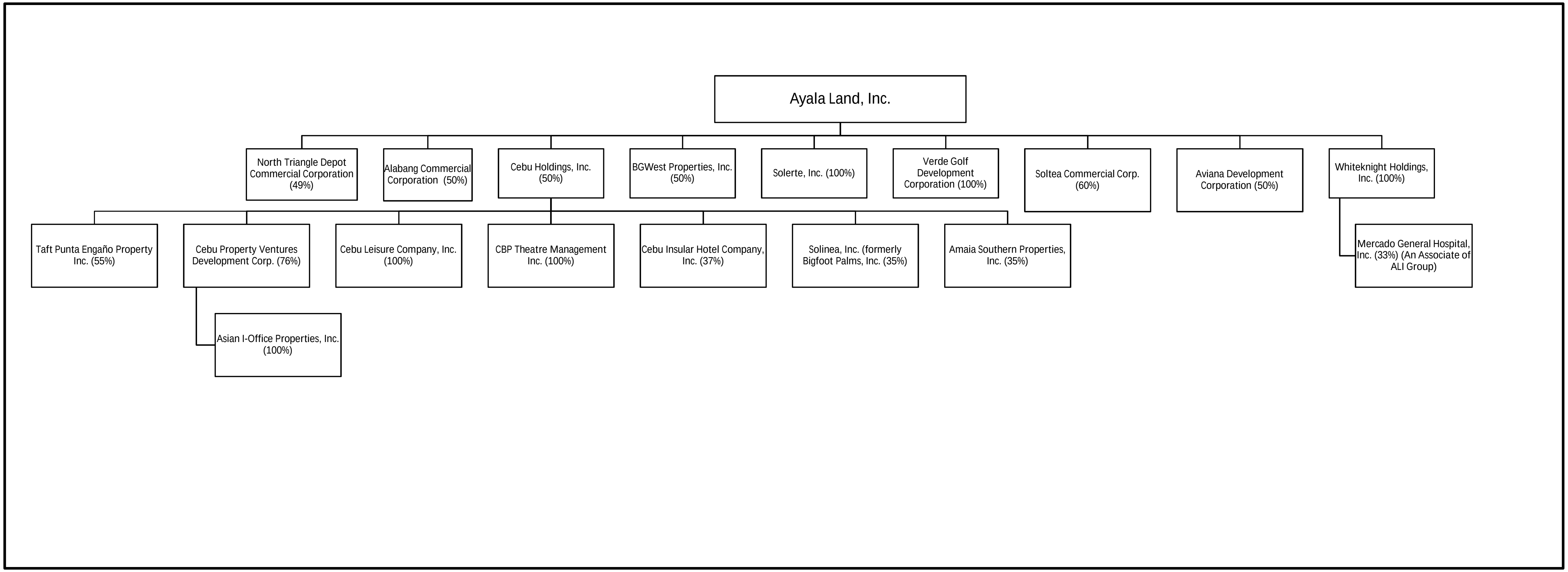
Subsidiaries



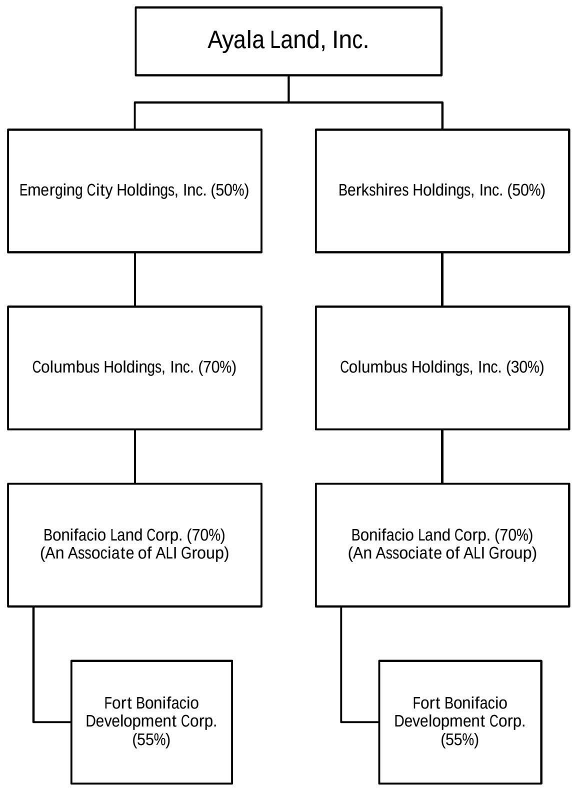

Ayala Land, Inc.
Regent Time International, Limited (100%)
Asterion Technopod, Incorporated (100%)
Crestview E-Office Corporation (100%)
Gisborne Property Holdings, Inc. (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office Corporation (100%)
Subic Bay Town Centre, Inc. (100%)
Regent Wise Investments Limited (100%)
AyalaLand Commercial REIT, Inc. (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
Nuevo Centro, Inc. (100%)
ALI Property Partners Corp. (100%)
Bonifacio Land Corp. (5%) (An Associate of ALI Group)
Fort Bonifacio Development Corporation (3%)
AyalaLand Real Estate Investments Inc. (100%)
Rize-AyalaLand (Kingsway) GP Inc., (39%) (An Associate of ALI Group)
AyalaLand Advisory Broadway Inc. (100%)
AyalaLand Development (Canada) Inc. (100%)
Tianjin Eco City Ayala Land Development Co., Ltd. (40%) (An Associate of ALI Group)
One Dela Rosa Property Development, Inc. (100%)
First Gateway Real Estate Corp. (100%)
Glensworth Development, Inc. (100%)
UP North Property Holdings, Inc. (100%)


Ayala Land, Inc.
Laguna Technopark, Inc. (75%)
Ecozone Power Management, Inc. (100%)
Aurora Properties, Incorporated (78%)
Vesta Property Holdings, Inc. (70%)
Station Square East Commercial Corporation (69%)
Accendo Commercial Corp. (67%)
Avenco South Corporation (30%)
Aviana Development Corporation (10%)
Cagayan de Oro Gateway Corp. (70%)
Ceci Realty, Inc. (60%)
Soltea Commercial Corp. (60%)
CMPI Holdings, Inc. (60%)
CMPI Land, Inc. (60%)
ALI-CII Development Corporation (50%)
Roxas Land Corporation (50%)
Makati Development Corporation (100%)
Makati Development Corp. - First Balfour, Inc. Joint Venture (51%)
MDC - Subic (100%)
MDC - Build Plus (100%)
MDC Equipment Solutions, Inc. (100%)
MDC Conqrete Inc. (100%)
Ayala Hotels, Inc. (50%)
AyalaLand Hotels and Resorts Corporation (100%)
Enjay Hotels, Inc. (100%)
Cebu Insular Hotel Company, Inc. (63%)
Greenhaven Property Venture, Inc. (100%)
Bonifacio Hotel Ventures, Inc. (100%)
Southcrest Hotel Ventures, Inc. (67%)
Northgate Hotel Ventures, Inc. (70%)
North Triangle Hotel Ventures, Inc. (100%)
Ecosouth Hotel Ventures, Inc. (100%)
ALI Makati Hotels & Residences, Inc. (80%)
ALI Makati Hotel Property, Inc. (80%)
Asian Conservation Company, Inc. (17%)
Asian Conservation Company Limited (100%)
Asian Conservation Company, Inc. (83%)
Ten Knots Phils, Inc. and Subsidiary (40%)
Ten Knots Development Corp. and Subsidiaries (40%)

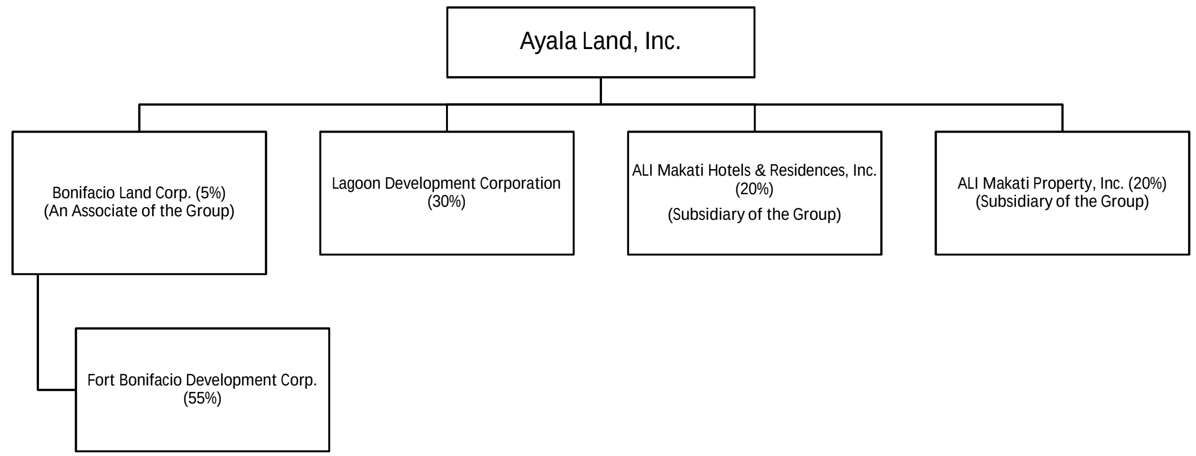

Ayala Land, Inc.
Ten Knots Phils, Inc. (60%)
Bacuit Bay Development Corporation (100%)
Ten Knots Development Corp. (60%)
Chirica Resorts Corp. (100%)
Kingfisher Capital Resources Corp. (100%)
Ayala Property Management Corporation (100%)
Ayala Theatres Management, Inc. (100%)
Five Star Cinema, Inc. (100%)
Leisure and Allied Industries Philippines, Inc. (50%)
ALInet.com, Inc. (100%)
Cavite Commercial Town Center, Inc. (100%)
First Longfield Investments Limited (100%)
Green Horizons Holdings Limited (100%)
Aprisa Business Process Solutions, Inc. (100%)
DirectPower Services, Inc. (100%)
Philippine Integrated Energy Solutions, Inc. (60%)
Varejo Corporation (100%)
SIAL Specialty Retailers, Inc. (50%) (Joint Venture Entity of ALI group)
AyaGold Retailers, Inc. (50%) (Joint Venture Entity of ALI group)
SIAL CVS Retailers, Inc. (50%) (A Joint Venture Entity of ALI group)
Philippine FamilyMart CVS, Inc.(60%)
Adauge Commercial Corporation (87%)
South Gateway Development Corp. (100%)
Ayalaland MetroNorth, Inc. (100%)


Ayala Land, Inc.
North Triangle Depot Commercial Corporation (49%)
Alabang Commercial Corporation (50%)
Cebu Holdings, Inc. (50%)
BGWest Properties, Inc. (50%)
Solerte, Inc. (100%)
Verde Golf Development Corporation (100%)
Soltea Commercial Corp. (60%)
Aviana Development Corporation (50%)
Whiteknight Holdings, Inc. (100%)
Taft Punta Engaño Property Inc. (55%)
Cebu Property Ventures Development Corp. (76%)
Cebu Leisure Company, Inc. (100%)
CBP Theatre Management Inc. (100%)
Cebu Insular Hotel Company, Inc. (37%)
Solinea, Inc. (formerly Bigfoot Palms, Inc. (35%)
Amaia Southern Properties, Inc. (35%)
Mercado General Hospital, Inc. (33%) (An Associate of ALI Group)
Asian I-Office Properties, Inc. (100%)

Direct Investments in Joint Ventures



Direct Investments in Associates



AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE K - LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS
December 31, 2013

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Adopted	Not Applicable
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	*Scope of PFRS 2*	✓		
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE L - FINANCIAL RATIOS
December 31, 2013

Current / liquidity ratios

	2013	2012 *(As Restated)*
	(Amounts inThousands)	
Current Assets	146,986,957	111,055,354
Current liabilities	101,623,207	78,671,224
Current ratios	**144.6%**	**141.2%**
Current Assets	146,986,957	111,055,354
Inventory	43,572,245	27,322,746
Quick assets	103,414,712	83,732,609
Current liabilities	101,623,207	78,671,224
Quick ratios	**101.8%**	**106.4%**

Solvency/ debt-to-equity ratios

	2013	2012 *(As Restated)*
	(Amounts inThousands)	
Short-term debt	12,407,056	9,779,146
Current portion of long-term debt	3,542,152	6,591,354
Long-term debt - net of current portion	85,952,677	58,407,563
Debt	**101,901,885**	**74,778,063**
Equity	112,097,564	95,540,214
Less: Noncontrolling interest	13,627,789	13,547,045
Equity attributable to parent	98,469,775	81,993,169
Less: Unrealized gain - AFS	32,105	36,751
Equity, net of unrealized gain	**98,437,670**	**81,956,418**
Debt to equity ratio	**103.5%**	**91.2%**
Debt	101,901,885	74,778,063
Cash and cash equivalents	27,966,138	32,122,085
Short term investments	16,728	16,503
Financial assets at FV through P&L	13,403,497	713,716
Net Debt	60,515,522	41,925,758
Equity	98,437,670	81,956,418
Net Debt to equity ratio	**61.5%**	**51.2%**

Asset to equity ratios

	2013	2012 *(As Restated)*
	(Amounts inThousands)	
Total Assets	325,473,685	254,115,680
Total Equity	112,097,564	95,540,214
Asset to Equity Ratio	**290.3%**	**266.0%**

Interest rate coverage ratio

	2013	2012 *(As Restated)*
	(Amounts inThousands)	
Net income after tax	**14,304,692**	**11,076,489**
Add:		
Provision for income tax	4,655,370	3,471,108
Interest expense and other financing charges	4,115,555	3,264,994
Other charges	678,930	367,296
	9,449,855	7,103,398
Less:		
Interest and investment income	3,538,357	4,277,637
EBIT	**20,216,190**	**13,902,250**
Depreciation and amortization	3,898,401	2,714,537
EBITDA	**24,114,591**	**16,616,787**
Interest expense	3,735,452	2,470,151
Short-term debt	*815,954*	*162,781*
Long-term debt	*2,919,498*	*2,307,370*
Interest rate coverage ratio	**6.5**	**6.7**

	2013	2012 *(As Restated)*
	(Amounts inThousands)	
Profitability ratios		
Net Income Attributable to Equity holders of Ayala Land, Inc.	11,741,764	9,038,328
Revenue	81,523,070	59,932,163
Net income margin	**14.4%**	**15.1%**
Net income after tax	14,304,692	11,076,489
Total Assets CY	325,473,685	254,115,680
Total Assets PY	254,115,680	166,398,998
Average Total Assets	289,794,683	210,257,339
Return on total assets	**4.9%**	**5.3%**
Net income after tax	11,741,764	9,038,328
Total Equity-CY	98,469,775	82,315,209
Total Equity-PY	82,315,209	62,183,518
Average total equity	90,392,492	72,249,364
Return on Equity	**13%**	**13%**

₱4.0 Billion Fixed Rate Bonds due 2020 and
₱2.0 Billion Fixed Rate Bonds due 2023
Schedule and Use of Proceeds

	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	6,000,000,000.00	6,000,000,000.00
Expenses		
Documentary Stamp Tax	30,000,000.00	30,000,000.00
Upfront Fees		
Underwriting Fee (375 bps + GRT)	22,500,000.00	22,500,000.00
Professional Expenses	1,457,500.00	2,517,808.07
Listing Fee	100,000.00	100,000.00
Out of Pocket Expenses (publication, printing, etc.)	1,000,000.00	5,530.00
	55,057,500.00	55,123,338.07
Net Proceeds	**5,944,942,500.00**	**5,944,876,661.93**
Balance of Proceeds as of 12.31.2013	**Nil**	

Ayala Land raised from the Bonds gross proceeds of P6.0Bn. After issue-related expenses, actual net proceeds amounted to approximately P5.9B. Net proceeds were used to partially finance various projects including, but not limited to, (i) the construction of various leasing assets including an additional BPO building in Cebu IT Parkand the construction of Fairview Terraces Mall (₱0.9 billion), (ii) infusion to Avida Land Corp. (a subsidiary) to fund various residential development projects and acquisitions (₱1.0 billion) and (iii) the acquisition of several properties in strategic areas around the country (₱4.0 billion).

₱15.0 Billion Fixed Rate Bonds due 2024
Schedule and Use of Proceeds

	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	15,000,000,000.00	15,000,000,000.00
Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
SEC Registration	5,812,500.00	5,812,500.00
Legal Research Fee	58,125.00	58,125.00
Upfront Fees		
Underwriting Fee	56,250,000.00	56,250,000.00
Professional Expenses	7,336,000.00	401,082.05
Trustee	20,000.00	20,000.00
Registry Account Opening fee	150,000.00	150,000.00
Listing Fee	100,000.00	100,000.00
Out of Pocket Expenses (publication, printing, etc.)	2,500,000.00	97,807.91
	147,226,625.00	137,889,514.96
Net Proceeds	**14,852,773,375.00**	**14,862,110,485.04**

Balance of Proceeds as of 12.31.2013	**Nil**

Ayala Land raised from the Bonds gross proceeds of P15.0Bn. After issue-related expenses, actual net proceeds amounted to approximately P14.9B. Net proceeds were used to partially finance various projects including, but not limited to, (i) the pump-priming development activities for new townships like Vertis North in Quezon City, Arca South, formerly FTI, in Taguig, Alvierra in Pampanga, and Altaraza in Bulacan (₱4.0B), (ii) development of various residential projects such as Park Terraces, Garden Towers and subdivision projects in Nuvali (e.g. Santierra, Elaro and Luscara) (₱4.0B), (iii) the construction of various leasing assets including an additional BPO buildings in UP – Ayalaland Technohub, the construction of the UP Town Center, expansion of Ayala Center Cebu and Abreeza (₱1.2B), (iii) new Seda Hotel in Nuvali (₱0.3B) and (iv) the acquisition of several properties in strategic areas around the country (₱5.4B).

₱9.35 Fixed Rate Callable Bonds due 2019 and
₱5.65 Fixed Rate Callable Bonds due 2022
Schedule and Use of Proceeds

	ESTIMATED PER PROSPECTUS	ACTUAL
Gross Proceeds	**15,000,000,000.00**	**15,000,000,000.00**
Less: Upfront Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
Underwriting Fee	54,035,000.00	54,035,000.00
Rating fee	5,040,000.00	4,125,000.00
SEC Registration		
SEC Registration Fee	4,312,500.00	4,312,500.00
SEC Legal Research Fee	43,125.00	43,125.00
Professional Expenses	1,960,000.00	3,064,146.00
Marketing/Printing/Photocopying Costs and OPEs	500,000.00	383,755.82
Registry and Paying Agency fee	337,500.00	1,056,314.87
Trustee Fees	112,500.00	20,000.00
Listing Fee	100,000.00	443,666.68
	141,440,625.00	**142,483,508.37**
Net Proceeds	**14,858,559,375.00**	**14,857,516,491.63**

Balance of Proceeds as of 12.31.2013 **Nil**

Ayala Land raised from the Bonds gross proceeds of P15.0Bn. After issue-related expenses, actual net proceeds amounted to approximately P14.9Bn. Net proceeds were used to partially finance various projects including, but not limited to, (i) the development of various residential projects such as Park Terraces and Garden Towers (P1.2Bn), (ii) the construction of various leasing assets including the redevelopment of Glorietta I and II malls, Glorietta BPO and the Holiday Inn hotel at Ayala Center (P1.5Bn) and the (iii) the acquisition of 74 hectares located in the FTI complex, Taguig City (P12.2Bn).

HOMESTARTER BONDS 6
Schedule and Use of Proceeds

	ESTIMATED PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	**2,000,000,000.00**	**2,000,000,000.00**
Less: Estimated expenses		
Underwriting and Other Professional Fees	**15,000,000.00**	**5,060,000.00**
Issue Management Fee	2,000,000.00	2,000,000.00
Underwriting Fee	12,500,000.00	12,500,000.00
Legal Fee – Joint Underwriters	500,000.00	560,000.00
Marketing/Printing/Photocopying Costs and out-of-pocket expenses	**2,200,000.00**	**1,486,789.27**
Documentary Stamp Tax	**10,000,000.00**	**10,000,000.00**
	27,200,000.00	**26,546,789.27**
Estimated net proceeds to Ayala Land, Inc.	**Php1,972,800,000.00**	**Php1,973,453,210.73**

Balance of Proceeds as of 12.31.2013 **Nil**

Ayala Land raised from the Bonds gross proceeds of P2.0Bn. After issue-related expenses, actual net proceeds amounted to approximately P1.97 billion. Net proceeds were used to partiallly finance its various projects such as, but not limited to, Park Terraces, Garden Towers, ParkPoint Residences, Ayala Westgrove Heights, Luscara, Elaro, Santierra and the redevelopment of Ayala Center (P540 milllion); and the balance of the purchase price to acquire Global Technologies International Limited's 32% stake in ALI Property Partners Corp. and additional capital infusion to a subsidiary (P650 million). Remaining net proceeds from the Bonds will be deployed to various projects in the succeding months.

HOMESTARTER BONDS 5
Schedule and Use of Proceeds

	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	**1,000,000,000.00**	**1,000,000,000.00**
Less: Estimated expenses		
SEC Registration	1,325,625.00	1,325,625.00
Underwriting and Other Professional Fees	8,000,000.00	9,421,000.00
Marketing/Printing/Photocopying Costs and out-of-pocket expenses	2,200,000.00	1,587,085.83
Registry and Paying Agency Fees	200,000.00	154,090.30
Documentary Stamp Tax	10,000,000.00	5,000,000.00
	21,725,625.00	**17,487,801.13**
Estimated/actual net proceeds to Ayala Land, Inc.	**Php978,274,375.00**	**Php982,512,198.87**
Balance of Proceeds as 12.31.13	**Nil**	

Ayala Land raised from the Bonds gross proceeds of P1.0Bn. After issue-related expenses, actual net proceeds amounted to P982.5Mn. Net proceeds were used to partially finance costs related to the acquisition of 74 hectares located in the FTI Complex, Taguig City.