Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226
Telephone Number: (632) 750-6694

PHP8.0 Billion Fixed Rate Bonds Due 2025

Issue Price: 100% of Face Value
Interest Rate: 5.6250% p.a.

Issue Manager
BPI CAPITAL CORPORATION

Joint Lead Managers and Joint Lead Underwriters
BPI CAPITAL CORPORATION
CHINA BANKING CORPORATION
DEUTSCHE BANK AG, MANILA BRANCH
FIRST METRO INVESTMENT CORPORATION
THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED
PNB CAPITAL AND INVESTMENT CORPORATION

Co-Manager
BDO CAPITAL & INVESTMENT CORPORATION

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PRELIMINARY PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

The date of this Prospectus is April 10, 2014.

Ayala Land, Inc. ("Ayala Land," the "Issuer" or the "Company") is offering fixed rate bonds with an aggregate principal amount of up to ₱15,000,000,000, to be issued in one or more tranches (the "Offer"). The first tranche of the bonds, with an aggregate principal amount of ₱8,000,000,000 (the "Bonds"), shall be issued on April 25, 2014 (the "Issue Date"), or such other date as may be agreed by the Issuer and the Underwriters. The succeeding tranche/s of the Bonds are proposed to be issued under a shelf registration within one (1) year from the date hereof. Such succeeding tranche/s will be issued pursuant to a subsequently issued prospectus containing the information and disclosures appropriate at such time and as required to comply with relevant law and regulation.

The Bonds shall have a term ending eleven (11) years from the Issue Date, or on April 25, 2025, with a fixed interest rate of 5.6250% per annum. Interest on the Bonds shall be payable semi-annually in arrears on April 25 and October 25 of each year while the Bonds are outstanding, or the subsequent Business Day without adjustment if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the Maturity Date while the Bonds are outstanding (see "Description of the Bonds" – "Interest").

Subject to the consequences of default as contained in the Trust Indenture, and unless otherwise redeemed prior to the Maturity Date, the Bonds will be redeemed at par (or 100% of face value) on the Maturity Date (see *"Description of the Bonds" - "Redemption and Purchase"*).

The Bonds shall constitute the direct, unconditional, and unsecured obligations of Ayala Land and shall at all times rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of Ayala Land, other than obligations preferred by law. The Bonds shall effectively be subordinated in right of payment to, among others, all of Ayala Land's secured debts to the extent of the value of the assets securing such debt and all of its debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines without a waiver of preference or priority.

The Bonds have been rated PRS Aaa by Philippine Rating Services Corporation ("PhilRatings"). Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. PRS Aaa is the highest rating assigned by PhilRatings. The rating is not a recommendation to buy, sell, or hold securities, and may be subject to revision, suspension, or withdrawal at any time by the rating agency concerned.

The Bonds shall be offered to the public at face value through the Joint Lead Managers and Joint Lead Underwriters, and the Co-Manager named above with the Philippine Depository & Trust Corp. ("PDTC") as the Registrar of the Bonds. It is intended that upon issuance, the Bonds shall be issued in scripless form, with PDTC maintaining the scripless Register of Bondholders, and listed in the Philippine Dealing & Exchange Corp. ("PDEx"). The Bonds shall be issued in denominations of ₱50,000.00 each, as a minimum, and in multiples of ₱10,000.00 thereafter, and traded in denominations of ₱10,000.00 in the secondary market.

Ayala Land expects to raise gross proceeds of up to ₱15,000,000,000 from one or more tranches of the Offer. For the first tranche, the net proceeds are estimated to be ₱7,915,227,875 after deducting fees, commissions and expenses relating to the offering of the Bonds. Proceeds of the Offer are intended to be used for capital expenditure requirements (see "Use of Proceeds"). The Underwriters shall receive a fee of up to 0.375% on the final aggregate nominal principal amount of the Bonds issued.

On March 7, 2014, Ayala Land filed a Registration Statement with the Securities and Exchange Commission ("SEC"), in connection with the offer and sale to the public of fixed rate bonds up to an aggregate principal amount of ₱15,000,000,000, to be issued in one or more tranches. The first tranche of the Offer will be issued with an aggregate principal amount of ₱8,000,000,000. The SEC has issued an order rendering the registration statement effective, and a corresponding permit to offer securities for sale covering the Offer.

After the close of the Offer and following the issuance of the Bonds, Ayala Land may, at its sole discretion, offer any or all of the remaining balance of the aggregate principal amount of debt securities covered by such registration statement, in one or more subsequent tranches under paragraph 2 of Rule 8.1 of the Securities Regulation Code's Implementing Rules and Regulations. Such a shelf registration provides Ayala Land with the ability to take advantage of opportunities in a potentially volatile debt capital market, as these occur.

However, there can be no assurance in respect of: (i) whether Ayala Land would issue such Bonds at all; (ii) the size or timing of any individual issuance or the total issuance of such Bonds; or (iii) the specific terms and conditions of any such issuance. Any decision by Ayala Land to offer such Bonds will depend on a number of factors at the relevant time, many of which are not within Ayala Land's control, including but not limited to: prevailing interest rates, the financing requirements of Ayala Land's business and prospects, market liquidity and the state of the domestic capital market, and the Philippine, regional and global economies in general.

The Offer is being conducted exclusively in the Philippines and pursuant to requirements under Philippine laws, rules and regulations that may be different from those of other countries and jurisdictions. No action has been or will be taken by the Issuer or any person on behalf of the Issuer to permit an offering of the Bonds in any jurisdiction other than the Philippines, where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, nor may any offering material relating to the Bonds be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or jurisdiction.

Ayala Land confirms that this Prospectus contains all information relating to the Company, its subsidiaries and affiliates which is, in the context of the issue and offering of the Bonds, material (including all information required by the applicable laws of the Republic of the Philippines). There are no other facts the omission of which would make any statement in this Prospectus misleading in any material respect. Ayala Land confirms that it has made all reasonable inquiries in respect of the information, data and analysis provided to it by its advisors and consultants or which is otherwise publicly available for inclusion into this Prospectus. Ayala Land, however, has not independently verified any such publicly available information, data or analysis.

Neither the delivery of this Prospectus nor any sale made pursuant to the Offer shall, under any circumstance, create any implication that the information contained or referred to in this Prospectus is accurate as of any time subsequent to the date hereof. The Underwriters do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Prospectus.

The contents of this Prospectus are not to be considered as legal, business or tax advice. Each prospective purchaser of the Bonds receiving a copy of this Prospectus acknowledges that he has not relied on the Underwriters in his investigation of the accuracy of such information or in his investment decision. Prospective purchasers should consult their own counsels, accountants or other advisors as to legal, tax, business, financial and related aspects of the purchase of the Bonds. Investing in the Bonds involves certain risks. For a discussion of certain factors to be considered in respect of an investment in the Bonds, see the section on *"Risk Factors and Other Considerations."*

No dealer, salesman or other person has been authorized by Ayala Land and the Underwriters to give any information or to make any representation concerning the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by Ayala Land or the Underwriters.

Ayala Land is organized under the laws of the Republic of the Philippines. Its principal office is at the Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226, with telephone number (632) 750-6694.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CORRECT.

AYALA LAND, INC.

By:

BERNARD VINCENT O. DY
President and Chief Executive Officer

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

Before me, a notary public in and for the city named above, personally appeared Bernard Vincent O. Dy known to me and to me known as the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument. Presented to me his Philippine Passport No. EB4700081 issued at DFA Manila on 14 February 2012.

Witness my hand and seal this 10TH day of April 2014 at Makati City.

Doc No. 101;
Book No. 22;
Page No. I;
Series of 2014.

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

VERA M. DE GUZMAN-OCFEMIA
NOTARY PUBLIC
ROLL NO. 55764
MAKATI CITY, PHILIPPINES

VERA M. DE GUZMAN-OCFEMIA
Notary Public – Makati City
Appt. No. M285 until December 31, 2016
Attorney's Roll No. 55764
PTR No. 4236215MC; 01-09-2014; Makati City
IBP Lifetime Roll No. 0012406
MCLE Compliance No. IV – 0012687; 02/20/2013
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS 1

DEFINITION OF TERMS 2

EXECUTIVE SUMMARY 6

SUMMARY OF THE OFFER 14

RISK FACTORS AND OTHER CONSIDERATIONS 16

PHILIPPINE TAXATION 27

USE OF PROCEEDS 30

DETERMINATION OF OFFERING PRICE 32

PLAN OF DISTRIBUTION 33

DESCRIPTION OF THE BONDS 36

INDEPENDENT AUDITORS AND COUNSEL 61

DESCRIPTION OF BUSINESS 62

DESCRIPTION OF PROPERTIES 96

CERTAIN LEGAL PROCEEDINGS 100

MARKET PRICE OF AND DIVIDENDS ON AYALA LAND'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS 101

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 105

CHANGES IN ACCOUNTING AND FINANCIAL DISCLOSURE 122

DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS 127

EXECUTIVE COMPENSATION 136

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN RECORD AND BENEFICIAL OWNERS 139

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS 142

DESCRIPTION OF DEBT 143

CORPORATE GOVERNANCE 146

FINANCIAL INFORMATION 147

SUPPLEMENTAL INFORMATION 148

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward-looking statements." These forward-looking statements have been based largely on the Company's current expectations and projections about future events and financial trends affecting its business. Words or phrases such as "believes," "expects," "anticipates," "intends," "plans," "foresees" or other words or phrases of similar import are intended to identify forward-looking statements. Similarly, statements that describe Ayala Land's objectives, plans or goals are also forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. Actual results could differ materially from those contemplated in the relevant forward-looking statements. Important factors that could prevent forward-looking events and circumstances from occurring or could cause actual results to differ materially from the expectations of Ayala Land include, among others:

General Economic and Political Conditions

- changes in Philippine and international interest rates
- changes in political, economic and social conditions in the Philippines
- changes in foreign exchange control regulations in the Philippines
- changes in the value of the Philippine Peso

Conditions of the Real Estate Industry

- increasing competition in the Philippine real estate industry
- changes in laws and regulations that apply to the Philippine real estate industry

Factors Affecting Ayala Land's Operations

- Ayala Land's ability to maintain and further improve its market share in the various segments of the Philippine real estate market
- demand for Ayala Land's projects in the Philippines
- Ayala Land's ability to enter into various financing programs
- operational and implementation issues that Ayala Land may encounter in its projects
- Ayala Land's ability to manage changes in costs attendant to operations

For a further discussion of such risks, uncertainties and assumptions, see the *"Risk Factors and Other Considerations"* section of this Prospectus. Prospective purchasers of the Bonds are urged to consider these factors carefully in evaluating the forward-looking statements. The forward-looking statements included herein are made only as of the date of this Prospectus and Ayala Land undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

DEFINITION OF TERMS

As used in this Prospectus, the following terms shall have the meanings ascribed to them:

"Affiliate" shall mean, with respect to Ayala Land, Inc., any corporation directly or indirectly controlled by it, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of management, contract or authority granted by said corporation to Ayala Land, Inc.

"Application to Purchase" shall mean the document to be executed by any Person or entity qualified to become a Bondholder.

"Ayala Group" refers to Ayala Corporation and its subsidiaries and affiliates.

"Ayala Land" or **"ALI"** or the **"Company"** or the **"Issuer"** refers to Ayala Land, Inc.

"Banking Day" or **"Business Day"** shall be used interchangeably to refer to a day, except Saturday and Sunday, on which commercial banks are not required or authorized to close in Makati City, Metro Manila.

"Beneficial Owner" shall mean any person (and "Beneficial Ownership" shall mean ownership by any person) who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting of such security; and/or investment returns or power in respect of any security, which includes the power to dispose of, or to direct the disposition of, such security; provided, however, that, a person shall be deemed to have an indirect beneficial ownership interest in any security which is:

i. held by members of his immediate family sharing the same household;
ii. held by a partnership in which he is a general partner;
iii. held by a corporation of which he is a controlling shareholder; or
iv. subject to any contract, arrangement or understanding which gives him voting power or investment power with respect to such securities; provided, however, that, the following persons or institutions shall not be deemed to be beneficial owners of securities held by them for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of business, so long as such securities were acquired by such persons or institutions without the purpose or effect of changing or influencing control of the issuer:

    a. A broker dealer;
    b. An investment house registered under the Investment Houses Law;
    c. A bank authorized to operate as such by the BSP;
    d. An insurance company subject to the supervision of the Office of the Insurance Commission;
    e. An investment company registered under the Investment Company Act;
    f. A pension plan subject to regulation and supervision by the BIR and/or the Office of the Insurance Commission or relevant authority; and
    g. A group in which all of the members are persons specified above.

“BIR” shall mean Bureau of Internal Revenue.

“Bond Agreements” shall mean, collectively, the Trust Indenture between the Issuer and the Trustee, the Master Certificates of Indebtedness, and the Registry and Paying Agency Agreement between the Issuer, the Registrar and the Paying Agent, and any other document, certificate or writing contemplated thereby.

“Bondholder” shall mean a person whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders.

“Bonds” shall refer to the 5.6250% fixed rate bonds in the aggregate principal amount of ₱8,000,000,000 to be issued by Ayala Land on the Issue Date and shall mature on April 25, 2025.

“BDO Capital” shall refer to BDO Capital & Investment Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 20th Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City.

“BPI Capital” shall refer to BPI Capital Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 8th Floor, BPI Building, Ayala Avenue corner Paseo de Roxas, Makati City.

“BPI-AMTG” shall refer to Bank of the Philippine Islands - Asset Management and Trust Group.

“BSP” refers to Bangko Sentral ng Pilipinas.

“CBG” shall refer to Commercial Business Group

“China Bank” shall refer to China Banking Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 9th floor CBC Building, 8745 Paseo de Roxas Corner Villar Street, Makati City.

“Co-Manager” shall refer to BDO Capital

“DB” shall refer to Deutsche Bank AG, Manila Branch, a foreign banking corporation with address at 26th Floor Tower One, Ayala Triangle, Ayala Avenue, Makati City.

“FMIC” shall refer to First Metro Investment Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 45th Floor, GT Tower International, 6813 Ayala Avenue corner H.V. dela Costa Street, Makati City. .

“HSBC” shall refer to The Hongkong and Shanghai Banking Corporation Limited, a banking corporation duly licensed and authorized to operate in the Philippines, with address at the HSBC Centre, 3058 Fifth Avenue West, Bonifacio Global City, Taguig.

“GLA” refers to Gross Leasable Area

“Interest Payment Date” shall mean October 25, 2014 for the first Interest Payment Date and April 25 and October 25 of each year for each subsequent Interest Payment Date at which the Bonds are outstanding, or the subsequent Business Day if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the Maturity Date.

"Issue Date" shall mean April 25, 2014 or such other date as may be agreed upon between the Issuer and the Underwriters.

"Issue Manager" shall refer to BPI Capital.

"Joint Lead Managers and Joint Lead Underwriters" shall refer to BPI Capital, China Bank, DB, FMIC, HSBC, and PNB Capital being the Joint Lead Managers and Joint Lead Underwriters appointed by the Issuer under the Underwriting Agreement.

"Lien" shall mean any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligations.

"Majority Bondholders" shall mean, at any time, the Bondholder or Bondholders who hold, represent, or account for more than fifty percent (50%) of the aggregate outstanding principal amount of the Bonds.

"Master Certificate of Indebtedness" shall mean the certificate to be issued by the Issuer to the Trustee evidencing and covering such amount corresponding to the Bonds.

"Maturity Date" shall mean April 25, 2025 which is eleven years after the Issue Date; provided that, in the event that the Maturity Date falls on a day that is not a Business Day, the Maturity Date shall be automatically extended to the immediately succeeding Business Day.

"Offer" shall mean the offering of Bonds by the Issuer under the Conditions as herein contained.

"Offer Period" shall refer to the period commencing at 10:00 a.m. on April 10, 2014 and ending at 5:00 p.m. on April 21, 2014, or on such other date as the Issuer and the Underwriters may agree upon.

"PAS" shall mean Philippine Accounting Standards.

"Paying Agent" shall refer to PDTC, the party which shall receive the funds from the Issuer for payment of principal, interest and other amounts due on the Bonds and remit the same to the Bondholders based on the records shown in the Register of Bondholders.

"PNB Capital" shall refer to PNB Capital and Investment Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 9th Floor, PNB Financial Center, President Diosdado Macapagal Boulevard, Pasay City.

"PDEx" shall refer to the Philippine Dealing & Exchange Corp.

"PDTC" shall refer to the Philippine Depository & Trust Corporation.

"Person" means an individual, firm, partnership, limited liability company, joint venture, association, trust, corporation, government, committee, department, authority, or any body, incorporated or unincorporated, whether having a distinct legal personality or not.

"Pesos," **"₱," "PHP,"** and **"Philippine currency"** shall mean the legal currency of the Republic of the Philippines.

"PFRS" shall mean Philippine Financial Reporting Standards.

"Philippines" shall mean the Republic of the Philippines.

"PSE" shall refer to the Philippine Stock Exchange.

"Record Date" shall refer to the cut-off date in determining Bondholders entitled to receive interest or principal amount due.

"Register of Bondholders" shall mean the electronic records of the Registrar bearing the official information on the names and addresses of the Bondholders and the number of Bonds they respectively hold, including all transfers of the Bonds and the names of subsequent transferee Bondholders, maintained pursuant to and under the Registry and Paying Agency Agreement.

"Registrar" shall refer to PDTC, being the registrar appointed by the Issuer to maintain the Register of Bondholders pursuant to the Registry and Paying Agency Agreement.

"Registry Confirmation" shall refer to the written advice to be sent by the Registrar to Bondholders.

"SEC" means the Philippine Securities and Exchange Commission or its successor agency/ies.

"SEC Permit" shall mean the Permit to Sell issued by the SEC in connection with the Offer.

"sqm" refers to square meters

"SRC" shall mean the Securities Regulation Code of the Philippines (Republic Act No. 8799).

"Tax Code" shall mean the National Internal Revenue Code, as amended, and its implementing rules and regulations.

"Taxes" shall mean any present or future taxes including, but not limited to, documentary stamp tax, levies, imposts, filing and other fees or charges imposed by the Republic of the Philippines or any political subdivision or taxing authority thereof including surcharges, penalties and interests on said taxes, but excluding final withholding tax, gross receipts tax, and taxes on the overall income of the Underwriters or of the Bondholders.

"Trustee" shall refer to BPI-AMTG appointed by the Issuer under the Trust Indenture.

"Underwriters" shall refer to the Joint Lead Managers and Joint Lead Underwriters, and the Co-Manager.

Titles of sections, subsections and clauses in this Prospectus are used for convenience of reference only and do not limit or affect the interpretation of the sections, subsections and clauses hereof. In case of conflict between the provisions of this Prospectus and the Bond Agreements, the provisions of the Bond Agreements shall prevail.

EXECUTIVE SUMMARY

This summary highlights information contained elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser of the Bonds should consider before investing. Prospective purchasers should read the entire Prospectus carefully, including the section entitled “Risk Factors and Other Considerations” and the consolidated financial statements and the related notes to those statements included in this Prospectus.

The Company

Ayala Land is the real estate arm of Ayala Corporation. Ayala Land was spun-off by Ayala Corporation in 1988 to enhance management focus on Ayala Corporation’s existing real estate business and to highlight the value of assets, management and capital structure of the real estate business.

The SEC issued Ayala Land its certificate of incorporation on June 30, 1988. The Ayala Land shares were offered to the public in an initial public offering (“IPO”) of primary and secondary shares in 1991 and subsequently listed on the Makati and Manila Stock Exchanges (predecessors of the PSE). The IPO diluted Ayala Corporation’s effective interest in Ayala Land to 88%. Since then, Ayala Corporation’s effective interest has been further reduced to about 70.11% as of December 31, 2013 through, among others, the exercise of stock options by the respective employees of Ayala Corporation and Ayala Land, exchanges under bonds due 1996 and bonds due 2001, disposal of Ayala Land shares by Ayala Corporation and Ayala Land’s issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993, exchanges under bonds due 1996 and bonds due 2001, conversion to Ayala Land Common B Shares of the entire ₱3.0 billion convertible long term commercial paper publicly issued by the Company in December 1994, and equity top-up placements via an overnight bookbuilt offering of the Company in July 2012 and March 2013.

As at December 31, 2013, equity attributable to equity holders of Ayala Land amounted to ₱98.5 billion. It is listed on the PSE with a market capitalization of ₱350.8 billion as at December 31, 2013, based on Ayala Land’s common share closing price of ₱24.75 as at December 27, 2013, the last trading day of the said month.

As of December 31, 2013, foreign equity ownership of Ayala Land constituted 5,603,730,188 common shares and 609,541,527 voting preferred shares for an aggregate equivalent of 23% of total outstanding common shares and voting preferred shares.

Ayala Land is one of the largest real estate conglomerates in the Philippines engaged principally in the planning, development, subdivision and marketing of large-scale communities having a mix of residential, commercial, leisure and other uses. Its principal businesses include planning and development of mixed-use properties, particularly, the subdivision and sale of high-end, middle-income and affordable residential lots and housing units, leisure community developments, commercial lots and the development and leasing of retail space and land in planned communities. Ayala Land also builds and sells residential condominium and office buildings, and develops industrial and business parks. Ayala Land, through its subsidiaries, also owns hotels eco-tourism resorts, and movie theaters, and provides property management and construction services to its own projects and to third parties for industrial buildings and government infrastructure projects.

The Company's residential products are distributed to a wide range of clients through various sales groups. Ayala Land established a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which exclusively markets and sells high-end properties and condominium projects developed by Ayala Land under the brand Ayala Land Premier. Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Alveo Land Corp. ("Alveo") (middle-income housing), Avida Land Corp. ("Avida") (affordable housing), Amaia Land Corp. ("Amaia") (economic housing), and BellaVita Land Corp. ("BellaVita") (socialized housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, leads the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI has established Marketing Offices in Northern California, specifically in Milpitas in 2012, its first branch, and quite recently last March 7, 2014, in San Francisco. Marketing Offices were also set up in Singapore in September 2013, Hong Kong last February 2014, and a Representative office in Dubai in 2013. ALISI also assumed the operations of AyalaLand International Marketing, Inc. in Italy and London. In addition, One Ayala program, which bundles the products and services of Ayala Land, BPI and Globe Telecom, gives access to potential Ayala Land clients overseas, i.e. through BPI's 17 overseas offices and 81 tie-ups. In addition, the Ayala Land-BPI Dream Deals program aims to generate additional sales from local market.

Ayala Land's total consolidated revenues for the period January to December 31, 2013 amounted to ₱81.5 billion, up by 36% compared to ₱59.9 billion for 2012. Net income attributable to equity holders of Ayala Land rose by 30% to ₱11.7 billion for the period January to December 31, 2013 from ₱9.0 billion in the same period in 2012.

As at December 31, 2013, Ayala Land had ₱325.5 billion in total assets. Ayala Land's cash and cash equivalents, short-term investments and financial assets at fair value through profit or loss ("FVPL") stood at ₱41.4 billion with a current ratio of 1.45:1 as of such date. Net debt-to-equity ratio was at 0.61:1.

As at December 31, 2013, Ayala Land spent ₱66.3 billion for project and capital expenditures, 7% less than the ₱71.3 billion spent during the same period in 2012. About 32% was spent for residential projects, 41% for land acquisition, 12% for shopping centers, 8% for offices, 2% for hotels and resorts, and the balance spent on other land development activities.

The ₱66.3 billion spent on project and capital expenditures for year ended December 31, 2013 represents 95% of the full year budget of ₱70 billion for 2014.

New Projects

As at December 31, 2013, Ayala Land launched 28,482 residential units, including around 10,350 units in the economic housing segment under its subsidiary Amaia, and 6,700 units in the newly launched BellaVita to cater to the socialized housing segment.

The Company also plans to aggressively expand the gross leasable area ("GLA") of its shopping centers as it continues to roll out the geographic and product expansion of its shopping centers. Ayala Land has several malls in the pipeline, including smaller and value mall formats under wholly-owned subsidiary ARVO Commercial Corporation.

Part of this expansion is the redevelopment of Ayala Center Cebu, which opened in 2013 with an additional 34,000 square meters (sqm) of GLA, as well as Northpoint in Bacolod, with another 15,000 sqm of GLA.

The Company also continued to expand its Business Process Outsourcing ("BPO") office portfolio with the opening of 53,000 sqm of BPO office GLA in various locations across the country – including the Glorietta 2 BPO and Buildings L and M in U.P. AyalaLand TechnoHub.

In 2012, Philippine Integrated Energy Solutions, Inc. ("PhilEnergy") completed the construction of district cooling systems ("DCS") at the ongoing redevelopment of Ayala Center and Alabang Town Center.

The Company adjusts its budgeted project and capital expenditure and funding programs in response to competition as well as prevailing and anticipated economic conditions.

Ayala Land's Principal Strengths

Ayala Land's principal strength lies in its involvement in highly diversified business segments such as the development of high-end subdivision lots and residential buildings, middle-income residential projects and affordable housing development, as well as in traditional office, BPO office and shopping center leasing, development and sale of industrial lots, hotel operations, property development and construction. Ayala Land holds the dominant share of the market in most of these business segments.

The real estate industry in the Philippines offers rich opportunities across all its sub-sectors. Its bright prospects are anchored on strong fundamentals: a robust economy, rising foreign inflows, particularly from Overseas Filipinos ("OF"), increased affordability and the availability of attractive financing from banks, resilient consumption spending in retail, and encouraging long-term prospects for office space in the BPO sector.

With over eight decades of experience together with Ayala Corporation, Ayala Land is the largest and most experienced real estate developer in the Philippines. Combining leading-edge product innovation with prudent and effective risk management practices, the Company has the ability to manage across a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the industry. Ayala Land's proven track record includes the development of Makati as the country's premier Central Business District ("CBD") and Ayala Alabang as a prestigious suburban residential community. It is replicating these successes in areas such as Bonifacio Global City ("BGC"), Cebu, and Canlubang.

The Ayala Land name is synonymous with quality and prestige and is the most widely trusted brand in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivisions and high-rise, shopping centers, office buildings – and across a broad spectrum of price-points and geographies.

With control of 50 hectares of land in the Makati CBD and another 35 hectares in BGC as at December 31, 2013, Ayala Land is a primary beneficiary of the country's asset reflation story. Providing significant upside is the 2,098-hectare NUVALI in Canlubang being developed as a showcase for environmental, economic and social sustainability together with the 1,033 hectares in Porac, Pampanga.

The Company has a strong balance sheet, supportive strategic shareholders, a variety of available funding sources and the patience to undertake both pocket-sized and large-scale projects or investments that balance the need for sustained earnings growth and long-term net asset value accretion. Ayala Land also draws on the competitive advantage provided by its wholly-owned subsidiaries, Makati Development Corporation ("MDC") and Ayala Property Management Corporation ("APMC"), which are the country's largest and most experienced construction and property management companies, respectively.

The Company employs a proven and highly-credible management, architectural and engineering talent pool across all levels of the organization, most with experience across multiple business lines. Ayala Land also consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices.

In 2013, the Company was again awarded the "Platinum Award for All Around Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" by The Asset Magazine. Ayala Land was also adjudged "Best Overall Developer in the Philippines" by Euromoney for the tenth consecutive year in 2013 in its annual Real Estate Awards. Last year, Asiamoney also awarded Ayala Land as the Best Large Cap Corporate of the Year while Finance Asia cited Ayala Land as the second Best Managed Company in the Philippines.

Over the years, Ayala Land has been intensifying the integration of sustainability principles in every step of its business processes. Ayala Land's entire business process, from acquisition, assessment, planning, design, construction, delivery and property management focus on long-term benefits and shared value for stakeholders while foreseeing and managing risks and protecting all investments. Ayala Land has sustainability and risk management policies in place to protect projects from flooding and other geohazards. Technical due diligence is an integral part of site assessment, while flood and erosion control measures are built into masterplans, through site designs that include retention and detention basins, biodiversity (native vegetation) conservation where applicable. Projects are also designed to serve the needs of the commuting and walking public. Ayala Land also has set greenhouse gas ("GHG") emission intensity reduction targets and monitors energy, water and waste metrics in the properties it continues to manage.

For the three-year period ended December 31, 2013, Ayala Land has delivered a 3-year average Total Shareholder Return of 54% per annum, higher than the 3-year average Total Shareholder Return of the Property Index of 46%. Total Shareholder Return is based on share price appreciation plus dividends paid for the relevant period.

Ayala Land's Business Strategy

Ayala Land has long enjoyed leadership in the traditional markets it serves, leveraging on long term relationships with customers, landowners, tenants, its employees, the local government, NGO communities, and providers of capital. Ayala Land shares values and a common long-term orientation that allows all parties concerned to prosper over time. Many of the best names in local and international retailing anchor its shopping centers while top multinationals either set up base in its headquarter-type ("HQ") offices or locate in its BPO facilities. Ayala Land is also the partner of choice for strategic partners, such as the Shangri-La and Holiday Inn groups, which want to make significant new investments in the country and help prime the Company's strategic growth centers.

Ayala Land plans to enhance its position as the leading property developer in the Philippines by continuing to develop large-scale, mixed-use integrated communities while diversifying its revenue base across its wide portfolio of businesses. To achieve this, Ayala Land will embark on an aggressive strategy anchored on four main pillars that will lay the ground work for the Company's long-term sustainable growth:

- *Growth.* The Company will actively strengthen and slowly establish its presence in several identified growth centers across the country to effectively expand its footprint into new geographies. It will also introduce new formats within its existing business models to diversify its portfolio of highly differentiated product offerings and tap into previously unserved markets and consumer segments to broaden its reach.

- *Margin Improvement.* Ayala Land will continue to implement various spend management and cost control measures and pursue operational efficiencies further across the organization, without sacrificing quality and with strict adherence to the principles of sustainability, to bring overall costs down and drive profitability.

- *Capital Efficiency.* The Company will also make more efficient use of resources and capital to improve asset turnover and returns on capital. To this end, Ayala Land will pursue an asset-light approach to development and optimize land use by maximizing synergies within the organization, moving with scale to maximize utilization and value-capture.

- *Organizational Development.* Ayala Land will continue to strengthen its risk management program to effectively contain strategic, operational, financial and supply-chain risks associated with the much increased business activity levels, enhance its internal talent pool and support systems and ensure that these are supportive of the Company's growth objectives.

- *Brand-Building.* The Company will continue to leverage on product differentiation and its distinct value proposition. Moreover, it shall ensure the safety, security and timely delivery of all projects accompanied by efficient and effective customer service.

Ayala Land's Principal Shareholder

As at December 31, 2013, Ayala Land's principal shareholder, Ayala Corporation, effectively owns 70.11% of Ayala Land and is one of the Philippines' oldest conglomerates, with businesses in real estate, telecommunications, financial services, and a broad range of investments in water, electronics, energy, infrastructure, international operations, business process outsourcing, and automotive.

Ayala Land's Principal Executive Offices

Ayala Land's executive offices are at the 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226. The telephone number at this address is (632) 908-3895 and the fax number is (632) 750-7946.

Risk Factors

Prospective investors should consider carefully all of the information set forth in this Prospectus and, in particular, prospective purchasers should evaluate the specific factors set forth under the section *"Risk Factors and Other Considerations"* of this Prospectus for risks involved in the purchase of the Bonds. These factors may be summarized into those that pertain to the business and operations of Ayala Land, in particular, and those that pertain to the overall political, economic, and business environment in the Philippines, in general.

As a real estate developer, Ayala Land competes with other developers and developments to attract purchasers of land and condominiums, retail and office tenants, and clientele for the retail outlets, restaurants and hotels in its commercial centers in terms of reputation, reliability, price, and the quality and location of the community in which the relevant project is located. Ayala Land's successful financial and operating performance as a real estate company will impact on its ability to refinance or repay its debt, including the Bonds. Moreover, the offering of the Bonds should be evaluated in terms of its impact on the consolidated indebtedness of Ayala Land and the operating risks inherent in a further increase in its debt.

Ayala Land is further subject to certain debt covenants for the Bond issuance and its other existing debt. Ayala Land's failure to comply with these covenants could cause a default which, if not waived, could result in the debt becoming immediately due and payable. If any amount outstanding were to be accelerated, it could potentially trigger a cross-default under substantially all of Ayala Land's debt, in which case Ayala Land may not be able to perform its payment obligations under the Bonds. In such case, the Bonds, being unsecured debt, will be effectively subordinated in right of payment to all secured debt of Ayala Land to the extent of the value of the assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines without a waiver of preference or priority.

External factors affecting Ayala Land's businesses include the impact of current and future Philippine laws and regulations on certain aspects of real estate development, such as environment, health and safety, the effect of natural catastrophes, and political or economic instability in the country, including foreign exchange rate fluctuations which could impact on the acquisition cost of certain dollar-denominated construction materials and equipment necessary for Ayala Land's business.

Summary of Financial and Operating Data

The following table sets forth financial and operating information and other data of Ayala Land. Prospective purchasers of the Bonds should read the summary financial data below together with the audited consolidated financial statements and the notes thereto, as well as the section *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* of this Prospectus. The summary financial data as at December 31, 2013, 2012 and 2011 and for each of the three years in the period ended December 31, 2013 were derived from Ayala Land's audited consolidated financial statements, including the notes thereto, which are included in this Prospectus. Ayala Land's financial statements are prepared in compliance with PFRS.

	For the year ended December 31		
(in million Pesos, except Earnings Per Share (EPS))	**2013**	**2012 Restated**	**2011 Restated**
Income Statement Data			
Revenues	₱81,523	₱59,932	₱47,668
Costs and expenses			
Real estate	51,839	37,026	29,991
General & administrative expenses	5,929	4,727	3,764
Interest and other financing charges	4,115	3,265	2,099
Other Charges	679	367	218
Subtotal	62,562	45,385	36,072
Income before income tax	18,960	14,547	11,596
Provision for income tax			
Current	6,654	4,619	2,751
Deferred	(1,999)	(1,148)	256
	4,655	3,471	3,007
Net Income	₱14,305	₱11,076	₱8,589
Net Income attributable to:			
Equity holders of Ayala Land Inc.	11,742	9,038	7,140
Non-controlling interests	2,563	2,038	1,449
Unappropriated retained earnings,			
Balance, beginning of year	44,062	37,926	32,757
Effect of change in accounting policy for retirement obligation	(66)	(66)	(66)
Cash dividends	(4,129)	(2,902)	(1,972)
Net Income attributable to equity holders of Ayala Land	11,742	9,038	7,140
Balance at end of year	51,609	43,996	37,860
Basic Earnings per share	₱0.84	₱0.68	₱0.55
Earnings per share (diluted)*	₱0.83	₱0.67	₱0.55

*Based on weighted average number of common shares: 13,990,887 as at December 31, 2013; 13,327,986 as at December 31, 2012; 12,953,322 as at December 31, 2011

	As at December 31		
(in million Pesos)	**2013**	**2012 Restated**	**January 1, 2012 Restated**
Balance Sheet Data			
Cash and cash equivalents and other assets[1]	₱40,778	₱32,139	₱27,481
Land and improvements	62,723	48,815	18,737
Investment properties	59,183	49,552	40,901
Total assets	325,474	254,116	166,399
Current portion of long term debt	3,542	6,591	1,862
Long term debt—net of current portion	85,953	58,408	31,872
Total liabilities	213,376	158,575	90,419
Equity:			
Attributable to equity holders of Ayala Land, Inc.	98,470	81,993	62,184
Non-controlling interests	13,628	13,547	13,797
Total equity	₱112,098	₱95,540	₱75,981

[1] Includes Cash and Cash Equivalents and Short-term Investments and Investments in Unit Investment Trust Funds ("UITF") classified as Financial Assets at Fair Value through Profit and Loss

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

	December 31, 2013	December 31, 2012	December 31, 2011
Current ratio [1]	1.45:1	1.41:1	1.64:1
Debt-to-equity ratio [2]	1.04:1	0.91:1	0.63:1
Net debt-to-equity ratio [3]	0.61:1	0.51:1	0.19:1
Return on assets [4]	4.9%	5.3%	4.1%
Return on equity [5]	13%	13%	12%
Asset to Equity [6]	2.90:1	2.66:1	2.19:1
Interest Rate Coverage [7]	6.5	6.7	5.9

[1] *Current assets / current liabilities*
[2] *Total debt / equity attributable to equity holders of ALI net of unrealized gain (Total debt includes short-term debt, long-term debt and current portion of long-term debt)*
[3] *Net debt / equity attributable to equity holders of ALI net of unrealized gain on AFS (Net debt is total debt less cash and cash equivalents, short-term investments and Financial Assets at Fair Value through Profit and Loss))*
[4] *Total Net income / average total assets*
[5] *Net income attributable to parent / average equity attributable to equity holders of ALI*
[6] *Total assets / total stockholders' equity*
[7] *EBITDA / interest expense. EBITDA is computed as Net income before income tax + Interest expense & other financing charges and Other charges - Interest and investment income + Depreciation and amortization.*

SUMMARY OF THE OFFER

Issuer	:	Ayala Land, Inc. ("ALI")
Issue	:	Fixed rate bonds (the "Bonds") constituting the direct, unconditional, unsecured and general obligations of the Issuer.
Issue Amount	:	₱8,000,000,000
Use of Proceeds	:	The net proceeds of the Issue are intended to be used by ALI for capital expenditure requirements.
Issue Price	:	100% of face value.
Form and Denomination of the Bonds	:	The Bonds shall be issued in scripless form in denominations of ₱50,000.00 each, as a minimum, and in multiples of ₱10,000.00 thereafter.
Offer Period	:	The Offer shall commence at 10:00 a.m. on April 10, 2014 and end at 5:00 p.m. on April 21, 2014, or on such other date as the Issuer and the Underwriters may agree upon.
Issue Date	:	April 25, 2014 or such other date as may be agreed by the Issuer and the Underwriters.
Maturity Date	:	April 25, 2025
Interest Rate	:	Fixed interest rate of 5.6250% per annum.
Interest Payment Date	:	Interest on the Bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on April 25 and October 25, or the next Banking Day if such dates fall on a non-Banking Day, of each year commencing on October 25, 2014, until and including the relevant Maturity Date (each, an "Interest Payment Date").
Call Option and Call Option Dates	:	The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds before the Maturity Date on any one of the anniversary dates indicated below (the "Call Option Dates"), or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

Call Option Dates	Call Option Price
On the 7th year from Issue Date	102.00%
On the 8th year from Issue Date	101.00%
On the 9th year from Issue Date	100.50%
On the 10th year from Issue Date	100.25%

		The Issuer shall give no less than thirty (30) nor more than sixty (60) days prior written notice of its intention to exercise its Call Option on the Bonds, which notice shall be irrevocable and binding upon the Issuer to effect such early redemption of the Bonds at the Call Option Date stated in such notice. The amount payable to the Bondholders in respect of any such early redemption shall be calculated as the sum of (i) the relevant Call Option Price applied to the principal amount of the then outstanding Bonds being redeemed and (ii) all accrued interest on the Bonds as at the relevant Call Option Date.
Redemption for Taxation Reasons	:	If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par or 100% face value plus accrued interest.
Final Redemption	:	Except when a Call Option is exercised, the Bonds will be redeemed at par or 100% face value on the relevant Maturity Date.
Negative Pledge	:	The Bonds shall have the benefit of a negative pledge on all existing and future assets of the Issuer, subject to certain permitted liens.
Purchase and Cancellation	:	The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.
Status of the Bonds	:	The Bonds shall constitute the direct, unconditional, and unsecured obligations of the Issuer and shall at all times rank *pari passu* and ratably without preference among themselves and among any present and future unsecured obligations of the Issuer, except for any statutory preference or priority established under Philippine law.
Rating	:	The Bonds are rated Aaa by PhilRatings.
Listing	:	The Issuer intends to list the Bonds in the PDEx on Issue Date.

RISK FACTORS AND OTHER CONSIDERATIONS

GENERAL RISK WARNING

- *The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities.*
- *Past performance is not a guide to future performance.*
- *An investor deals in a range of investments each of which may carry a different level of risk.*

PRUDENCE REQUIRED

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake its, his, her or their own research and study on the trading of securities before commencing any trading activity. Investors may request information on the securities and Issuer thereof from the SEC which are available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially those classified as high risk securities.

RISK FACTORS

An investment in the Bonds described in this Prospectus involves a certain degree of risk. A prospective purchaser of the Bonds should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether to invest in the Bonds. This Prospectus contains forward-looking statements that involve risks and uncertainties. Ayala Land adopts what it considers conservative financial and operational controls and policies to manage its business risks. Ayala Land's actual results may differ significantly from the results discussed in the forward-looking statements. See section "Forward-Looking Statements" of this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of Ayala Land, in particular, and those that pertain to the overall political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are arranged in the order of their importance to the Company.

1. Ayala Land faces a highly competitive business environment

Ayala Land is subject to significant competition in each of its principal businesses. Competitive pressure is expected to remain as large property developers focus on the value-conscious middle market. Sustained demand growth is not likely to occur without real improvement in employment and real incomes. 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.

Ayala Land competes with other developers and developments to attract purchasers of land and residential units, office and retail tenants as well as other construction and property management firms, and hotel operators.

Land, Residential

With respect to land, condominium and office sales, Ayala Land competes for purchasers primarily on the basis of reputation, reliability, price and the quality and location of the community in which the relevant site is located. With respect to its horizontal residential housing developments, Ayala Land competes for buyers based on quality of projects and reasonable pricing of units.

(a) High-end residential

Ayala Land continues to be the leader in the high-end residential market. It competes with a price premium over other high-end developers but justifies it with superior locations, workmanship quality, timely project completions, and overall reputation in the real estate industry. Through these, it has been able to keep well ahead of other high-end players.

Real estate has always been a major investment vehicle for the affluent. However, in a volatile environment, such as the recent financial crisis and the subsequent global economic downturn, the high-end market tends to “wait and see,” or they simply choose to place their money in other investment instruments. With confidence returning as market risks abated in 2009, sales of high-end lots, like Westgrove Heights, Abrio, Santierra, Elaro, and Luscara in NUVALI, and units such as Park Terraces and Garden Towers in Makati and The Suites in BGC continued to record significant performances, resulting in the 41% increase in revenues for the Ayala Land Premier brand in 2013 versus 2012.

Ayala Land has mitigated the market risks it faces through carefully planned project launches, clear product differentiation, product innovation, and increased market expansion through overseas sales and new segments.

(b) Middle-income residential

In the middle-income market segment, the environment remains challenging due to the number and aggressive moves of competitors. Nonetheless, Ayala Land’s middle-income residential business (through its subsidiary, Alveo) posted significant growth last year as economic outlook and prospects in the real estate sector remained robust. Sales from Alveo last year rose 18% from 2012 and demand is expected to remain strong this year for several reasons: (a) more upbeat economic outlook, (b) strong buying interest from the domestic market and overseas based Filipinos, and (c) emerging preference for condominium living. Ayala Land remains confident that it can compete effectively in this segment because of its superior product offering in terms of location, amenities, features, after-sales service, and very competitive pricing and payment terms. Alveo remains a dominant player in the office for sale space in key central business districts, generating revenues of ₱1.2 billion in 2013, versus ₱109 million in the previous year.

(c) Affordable residential

Ayala Land offers affordable residential projects through its wholly-owned subsidiary, Avida Land Corporation. In this highly competitive segment, there is an increase in activities and marketing efforts of major developers to reach their desired target market. Last year, sales from Avida posted a significant 42% increase over the previous year with additional revenues coming from office for sale units amounting to ₱100 million.

(d) Economic Housing

Ayala Land entered the economic housing segment in 2012 with the launch of Amaia Scapes in Laguna under the Company's subsidiary, Amaia Land Corp., carrying the brand Amaia. This segment is expected to provide a steady end-user demand in the long-term as one-third of the estimated 20 million Filipino households and majority of the almost four (4) million national housing backlog belong to this segment. As a result, sales from Amaia grew 54% in 2013 from the previous year.

(e) Socialized Housing

Ayala Land formally launched its first socialized housing project in 2012 under the BellaVita brand in Cavite from subsidiary, BellaVita Land Corp. Like the economic housing segment, this group is likewise seen as a stable source of end-user demand in the local residential market as more than 60% of Filipino households fall under this income class.

Positive factors spurring interest because of their long-term effects in the real estate industry are the:

- Increased developments north of Manila due to the North Luzon Expressway, opening of the Subic-Clark-Tarlac toll expressway and on-going construction of the Tarlac-Pangasinan-La Union expressway;
- Rehabilitation of the South Luzon Expressway (SLEX) and on-going development of the Daang Hari-SLEX road link to spur growth in the Cavite, Laguna, Batangas area south of Metro Manila;
- Increasing purchases by the overseas-based Filipino market due to marketing and promotions by various developers;
- Availability of financing from the Home Development Mutual Fund (Pag-IBIG); and
- Relatively low mortgage rates and longer maturities

BellaVita posted revenues amounting to ₱64 million in 2013, up 308% than the ₱16 million recorded in 2012.

Office Space and Retail Rental

With respect to its office rental properties, Ayala Land competes for tenants primarily based upon the quality and location of the relevant building, the reputation of the building owner and operator, the quality of support services provided by the property manager, and rental and other charges. Under the current environment, lease rates and occupancy levels are under pressure in the Makati CBD where Ayala Land office buildings are located. According to research data provided by Colliers International Philippines, vacancy rate for all office grades in the Makati CBD as of end December 2013 is estimated at 2%, with average lease rates expected to rise at least 5% in the next twelve months.

With respect to its retail properties for lease, Ayala Land competes for tenants primarily based upon the ability of the relevant retail center to attract customers, which generally depends on the quality and location of, and mix of tenants in, the relevant retail center and the reputation of the owner and/or operator of the retail center, as well as rental and other charges. The market for shopping centers has become especially competitive and the number of competing properties is expected to grow. Some competing shopping centers are located within relatively close proximity of each of Ayala Land's commercial centers.

Ayala Land, nonetheless, has maintained healthy occupancy levels and experienced increasing lease rates.

Industrial Property Business

The industrial property business is affected by oversupply as well as limited industrial expansion and declining foreign investments. Overall, the industrial property segment is not likely to show significant demand improvement in the medium term.

Laguna Technopark, a development of the Ayala Land's subsidiary, Laguna Technopark, Inc. (LTI), remains the preferred location for locators and has been successfully expanding its offerings at a time when industrial parks in the Calabarzon area have been experiencing the effects of an oversupply of manufacturing and processing facilities.

Hotels and Resorts Operations

Although the hotel industry has seen increasing visitor arrivals in the past several years, it is generally subject to the slowdown in business activity due to global financial and local political turmoil and security concerns. Nonetheless, according to the Department of Tourism, 4.7 million foreign tourists visited the Philippines in 2013, which was 10% higher than the figure recorded in the previous year.

Infrastructure, Construction and Property Development

Ayala Land's construction business is exposed to any potential sector-wide slowdown in construction activities.

Notwithstanding stiff competition in the industry, Ayala Land intends to maintain and enhance its position as the leading property developer in the Philippines by continuing its over-all business strategy of developing large-scale, mixed-use integrated communities within growth centers that perpetuate its strong market presence while ensuring a steady revenue growth for the Company. Ayala Land further intends to diversify its revenue base by expanding its real estate business into different markets, specifically the economic and socialized housing segments where bulk of consumer "end-user" demand lies, and geographic areas and growth centers across the country where there are significant growth opportunities or where its proposed developments complement its existing businesses.

2. Ayala Land's leverage creates a number of operating risks and might affect its ability to repay the Bonds

The increase in debt of Ayala Land could have certain adverse consequences. For example, it could:

- reduce Ayala Land's ability to service its existing debt obligations, including the Bonds;
- affect Ayala Land's ability to obtain additional financing for working capital, capital expenditures, debt service and other purposes;
- require Ayala Land to divert a substantial portion of its cash flow from operations to debt service;
- affect Ayala Land's flexibility in reacting to and taking advantage of developments and opportunities in the Philippine economy, the Philippine property development industry and its business; or
- place Ayala Land at a competitive disadvantage to its competitors that have less debt.

As at December 31, 2013, Ayala Land's consolidated short-term and long-term debts amount to an aggregate of ₱101.9 billion, ₱41.6 billion of which were evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the Bonds in the event of the insolvency or liquidation of Ayala Land. Ayala Land has secured the waiver by the creditors of such preference in their respective debt instruments.

Ayala Land's ability to refinance or repay its debt depends on its successful financial and operating performance, which will be affected by a number of factors, many of which are beyond its control. If Ayala Land is unable to refinance its debt, obtain necessary waivers or obtain new financing under these circumstances, Ayala Land would have to consider other various financing options such as sale of assets, procuring additional capital and other options available to Ayala Land under applicable law. Ayala Land might also have to modify, delay or abandon its development and expansion plans. See discussions under "Management's Discussion and Analysis of Financial Condition" and "Results of Operation" of this Prospectus.

3. Ayala Land is subject to certain debt covenants

The Bond Agreements and agreements for certain debts of Ayala Land contain covenants that limit its ability to, among other things:

- incur additional long-term debt to the extent that such additional indebtedness results in a breach of a required debt-to-equity ratio;
- materially change its nature of business;
- merge, consolidate, or dispose of substantially all its assets; and
- encumber, mortgage or pledge some of its assets.

Complying with these covenants may cause Ayala Land to take actions that it otherwise would not take or not take actions that it otherwise would take. Ayala Land's failure to comply with these covenants would cause a default, which, if not waived, could result in the debt becoming immediately due and payable. In this event, Ayala Land may not be able to repay or refinance such debt on terms that are acceptable to Ayala Land or at all. See discussions under "Management's Discussion and Analysis of Financial Condition" and "Results of Operations" and "Description of the Bonds" of this Prospectus.

Ayala Land has historically taken a prudent stance in managing its debt obligations by ensuring that any corporate act, whether or not performed in the ordinary course of business, does not violate any existing debt covenants. In the event that any significant corporate act or business transaction is seen to potentially affect its debt covenants that would lead to accelerating the payment of existing debt, Ayala Land shall endeavor to obtain the necessary waivers in accordance with relevant debt agreements.

4. The occurrence of certain events of default under Ayala Land's other debt could affect Ayala Land's ability to repay the Bonds

A significant portion of the debt of Ayala Land contains terms which allow a lender to accelerate Ayala Land's debt if any event or change in circumstances occurs which, in the sole opinion of such lender, would materially impair Ayala Land's ability to repay its debt. If any amount outstanding were to be accelerated, it could potentially trigger a cross-default under substantially all of the Company's debt. In which case, it may not be able to perform its payment obligations under the Bonds.

Ayala Land has not defaulted in any of its debt obligations. Its ₱15.0 billion Bonds issued on April 2012 have been rated or have maintained a rating of PRS Aaa with Philippine Rating Services Corporation, while its ₱15.0 billion Bonds issued on July 2013 and ₱6.0 billion Bonds issued on September 2013 have both been rated AAA with Credit Rating and Investors Services Philippines Inc. It shall continue its strategy of compliance with its debt obligations by adopting the necessary internal controls in financial management and adopting good corporate governance policies that will ensure that transactions do not violate debt covenants.

5. The Bonds may be subordinated to other debt

Under Philippine law, in the event a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt not evidenced by a public instrument. Debt becomes evidenced by a public instrument when it has been acknowledged by the creditor and the debtor before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a *jurat* (a statement by one party of the circumstances in which an affidavit was made) may also be sufficient to make a document a public instrument. Accordingly, it may be possible for debt to become evidenced by a public instrument through the unilateral action of a creditor without the knowledge of the borrower.

As at December 31, 2013, Ayala Land's consolidated short-term and long-term debts amount to an aggregate of ₱101.9 billion, ₱41.6 billion of which were evidenced by public instruments. Any such debt may, by mandatory provision of law, rank ahead of the

Bonds in the event of the insolvency or liquidation of Ayala Land. Ayala Land has secured the waiver by the creditors of such preference in their respective debt instruments. However, should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then Ayala Land shall at the its option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds.

Notwithstanding the foregoing, investors are assured of Ayala Land's continuing track record of prudent financial management which has allowed it to be in a net debt-to-equity position of 0.61:1 as of December 31, 2013. Thus, in the unlikely event that Ayala Land is dissolved, there will be sufficient assets for disposition that will meet all its debt obligations, whether secured or unsecured.

6. Ayala Land from time to time considers business combination alternatives

Although Ayala Land's loan covenants contain certain restrictions on business combinations, Ayala Land will be able to engage in certain types of combinations. Business combinations involve financial and operational risks and could result in significant changes to Ayala Land's operations, management and financial condition. These changes could adversely affect Ayala Land's ability to fulfill its obligations under the Bonds and reduce the value of the Bonds.

Ayala Land takes into consideration its existing debt obligations and concomitant debt covenants in making any major business investments or acquisitions. Any financial commitments under such business combinations are evaluated in terms of the inflow of revenues of such projects and their ability to service their own financial requirements once fully operational.

7. Successful development of Ayala Land's projects is dependent on various factors

There is no certainty that Ayala Land's current and future projects will be implemented as planned and within the projected timetable. Real estate developments are subject to risks such as delays in obtaining financing and/or finalizing project plans and/or obtaining approvals, increases in construction costs, natural calamities and/or market downturns hereinafter described. Ayala Land's future financial performance may be significantly affected by factors that limit its ability to finance and complete its current and future projects in a timely and cost-effective manner and to market them successfully.

Ayala Land continually looks for growth opportunities in different market segments and geographic areas in order that any negative impact on a particular market segment or geographic area by reason of political, economic or other factors will allow it to pursue its projects or other developments not affected thereby, thus, providing it with a steady revenue base.

8. Ayala Land's business is affected by regulation in the Philippines

Ayala Land operates a material part of its businesses in a regulated environment. Ayala Land is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety. These include laws and regulations governing air emissions, water and waste water discharges, odor emissions and the management and disposal of, and exposure to, hazardous materials.

Ayala Land cannot predict what environmental or health and safety legislation or regulations will be amended or enacted in the future; how existing or future laws or regulations will be enforced, administered or interpreted; or the amount of future expenditures that may be required to comply with these environmental or health and safety laws or regulations or to respond to environmental claims.

Ayala Land, through its construction and property management arms, keeps itself abreast of the latest technologies that enable it to implement existing sanitation, environment and safety laws and regulations at cost-efficient means, a strategy which has earned Ayala Land awards from several local and international organizations.

9. Operational and Physical Risk Factors in Ayala Land's Business

Just like any other business, Ayala Land is not exempt from the various risks associated with property development and operational management. It is however cognizant of the fact that a thorough understanding of risks, its complexities and continuous improvement in design and business operations is key to better abatement of risks and ensuring leadership in the industry. To mitigate these risks, the Company and its subsidiaries engaged in property development have complied and continue to comply with required standards of construction and design, and in terms of management of properties, observe and continue to observe best industry practices and methodologies.

On May 31, 2013 an explosion occurred inside a residential unit in Section B, Two Serendra. Two Serendra is a district of Serendra, a condominium development of Serendra, Inc., a subsidiary of Ayala Land. It is located at the Bonifacio Global City in Taguig City. The incident claimed the lives of four persons, including the occupant of the unit in Section B. Initial reports indicate that the explosion may have resulted from an improper accumulation of gas inside the unit. The investigation by police authorities as to the cause of the explosion is still ongoing.

Ayala Land's subsidiary, Ayala Property Management Corporation, as the property manager of Serendra, continues to provide support and assistance to the Serendra Condominium Corporation, the affected parties and the investigating units of government.

10. Natural catastrophes may affect Ayala Land's businesses adversely

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, volcanic eruptions and earthquakes. The occurrence of such natural catastrophes may materially disrupt and adversely affect the business operations of Ayala Land.

Although there can be no assurance that it will be adequately compensated for all damages and economic losses resulting from natural catastrophes, Ayala Land maintains comprehensive insurance against natural catastrophes to cover its various developments. Despite the series of natural disasters that befell the country in 2013, including super typhoon Yolanda which caused massive destruction in the Visayan provinces in November 2013, there have been no significant damages to the Company's developments.

11. Government and Economic Factors

The growth and profitability of Ayala Land will be influenced by the general political situation in, and the state of the economy of, the Philippines. Any political or economic instability in the future may have a negative effect on the financial results of Ayala Land and the level of dividends paid and distributions made by Ayala Land's subsidiaries.

Political Considerations

The Philippines has from time to time experienced political and military instability. In February 1986, a peaceful uprising ended the 21-year rule of President Ferdinand Marcos and installed Corazon Aquino as President of the Philippines. Between 1986 and 1989, there were a number of attempted *coups d'etat*, none of which were successful. Political conditions in the Philippines were generally stable during the 1990s following the election of Fidel V. Ramos as President in 1992.

In 2000, Ramos' successor, Joseph Estrada, was subject to allegations of corruption, resulting in impeachment proceedings, mass public protests, withdrawal of support of the military, and Estrada's removal from office. The Vice President, Gloria Macapagal-Arroyo, was sworn in as President on January 20, 2001. In May 2001, violent clashes between government forces and Estrada loyalists occurred when Estrada was imprisoned to face charges of plunder.

On July 23, 2003, a group of more than 200 armed soldiers took over and occupied the Oakwood Premier Ayala Center, a serviced apartment project owned by Makati Property Ventures, Inc., a former subsidiary of Ayala Hotels, Inc., and located at the Ayala Center in Makati City. The group accused the Arroyo administration of corruption and terrorist acts. After hours of negotiations, the group agreed to return to barracks. The soldiers have been demoted following their prosecution in the court martial proceedings.

The Philippines has also been subject to sporadic terrorist attacks in the past five years. The Philippine army has been in conflict with the Abu Sayyaf organization which has been identified as being primarily responsible for kidnapping and terrorist activities in the Philippines. A series of bombings in the southern part of the Philippines also occurred in 2004. On February 14, 2005, three bomb explosions in the Makati financial district in Manila, Davao City and General Santos City resulted in the deaths of eight persons and injuries to more than 100 people.

On May 10, 2004, national presidential elections were held and, on June 24, 2004, pursuant to the Constitution, a joint session of Congress declared Gloria Macapagal-Arroyo as President-elect. President Arroyo began her six-year term on June 30, 2004. Certain opposition candidates including defeated presidential candidate Fernando Poe, Jr. questioned the election results, alleging massive fraud and disenfranchisement of voters. On July 23, 2004, Mr. Poe petitioned the Philippine Supreme Court, acting as the Presidential Electoral Tribunal, to order a recount of votes cast in more than 118,000 precincts nationwide. The petition was eventually dismissed following the death of Mr. Poe on December 14, 2004.

On November 29, 2007, a Philippine Senator and former lieutenant, Antonio Trillanes IV, led a group of military officers in walking out of a trial for the occupation of the Oakwood Premier Ayala Center and seizing a hotel in Makati to demand President Arroyo's resignation. The group peacefully surrendered after a 6-hour standoff with government forces.

In 2010, the country held its first computerized elections under the supervision of the Commission on Elections, where the son of former President Corazon C. Aquino Senator Benigno S. Aquino III -won the presidency by a wide margin over closest rival former President Joseph Estrada. Aquino's victory displayed the highest electoral mandate for the winning president (post the 1987 Constitution) at 42% or more than 15 million votes. The vice-presidential race was won by former Makati City Mayor Jejomar S. Binay, Sr. with a tight margin over second running candidate Senator Manuel "Mar" Roxas II.

Significant political events that followed included the impeachment by the Philippine Senate of Renato Corona, then Chief Justice of the Supreme Court of the Philippines in May 2012 and the relatively peaceful midterm elections for senators and local government officials in May 2013. Of late, the Department of Justice is investigating alleged anomalies in the use of the Philippine Development Assistance Fund.

While the current administration is pursuing rapid, broad-based and sustainable economic growth, there is no assurance that future administrations will adopt policies conducive to sustaining economic growth. Any future economic, political or social instability in the Philippines could adversely affect Ayala Land's business, financial condition or results of operations.

Economic Considerations

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency, imposition of exchange controls, debt restructuring and electricity shortages and blackouts.

The regional Asian financial crisis in 1997 resulted in, among others, the depreciation of the Philippine peso, higher interest rates, slower growth and a reduction in the country's credit ratings. Since the Asian financial crisis, the country experienced a ballooning budget deficit, volatile exchange rates and a relatively weak banking sector.

The government instituted several reform measures in the fiscal and banking sectors, among others, that strengthened the country's economic fundamentals, resulting in improved investor confidence and increased economic activities. In March 2013, Fitch Ratings upgraded its rating on the Philippines to investment grade with Standard & Poor following suit in May. Moody's affirmed the country's new status by stamping its investment grade rating in October, citing strong economic performance leading to a path of higher growth coupled with low inflation, thereby providing the needed confirmation to lift the country out of junk bond status. Together with strong demand drivers, real gross domestic product (GDP) growth surged to 7.2% in 2013 and faster than the 6.6% pace recorded in 2012 primarily driven by the Services sector and strong performance of Manufacturing despite a series of devastating natural disasters that befell the nation.

To mitigate the abovementioned risks, Ayala Land shall continue to adopt what it considers conservative financial and operational controls and policies within the context of the prevailing business, economic, and political environments taking into consideration the interests of its customers, stakeholders and creditors.

RISKS RELATING TO THE BONDS

Liquidity Risk

The Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets. The Company cannot guarantee that the market for the Bonds will always be active or liquid. Even if the Bonds are listed on the PDEx, trading in securities such as the Bonds may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets, and the overall market for debt securities among other factors. There is no assurance that the Bonds may be easily disposed at prices and volumes at instances best deemed appropriate by their holders.

Pricing Risk

As with all fixed income securities, the Bond's market value moves (either up or down) depending on the change in interest rates. The Bonds when sold in the secondary market are worth more if interest rates decrease since the Bonds have a higher interest rate relative to the market. Likewise, if the prevailing interest rate increases, the Bonds are worth less when sold in the secondary market. Therefore, holders who may either make a gain or incur a loss when they decide to sell the Bonds.

Retention of Ratings Risk

There is no assurance that the rating of the Bonds will be retained throughout the life of the Bonds. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

Bonds have no Preference under Article 2244(14) of the Civil Code

No other loan or other debt facility currently or to be entered into by the Issuer shall have preference of priority over the Bonds as accorded to public instruments under Article 2244(14) of the Civil Code of the Philippines, and all banks and lenders under any such loans or facilities that are notarized have waived the right to the benefit of any such preference or priority. However, should any bank or bondholder hereinafter have a preference or priority over the Bonds as a result of notarization, then the Issuer shall at the Issuer's option, either procure a waiver of the preference created by such notarization or equally and ratably extend such preference to the Bonds.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Bonds by Eligible Bondholders, i.e., Filipino citizens or resident foreign individuals. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Bonds and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Bonds under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Bonds in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions (treaties) in effect at the date of this Prospectus.

The tax treatment of a holder of Bonds may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a Bondholder.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF A BOND, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS.

As used in this section, the term "resident foreign individual" refers to an individual whose residence is within the Philippines and who is not a citizen thereof.

TAXATION OF INTEREST

The National Internal Revenue Code of 1997, as amended, provides that interest-bearing obligations of Philippine residents are Philippine-sourced income subject to Philippine income tax. Interest income derived by Philippine citizens and resident foreign individuals from the Bonds is thus subject to income tax, which is withheld at source, at the rate of 20%. The tax withheld constitutes a final settlement of Philippine income tax liability with respect to such interest.

TAX EXEMPT STATUS

Bondholders who are exempt from or are not subject to final withholding tax on interest income may avail of such exemption by submitting the necessary documents. Said Bondholder shall submit the following requirements, in form and substance prescribed by the Issuer, to the Registrar or to the Underwriters or selling agents (together with their completed Application to Purchase) who shall then forward the same to the Registrar: (i) a copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid original tax exemption certificate, ruling or opinion issued by the BIR addressed to the Applicant confirming the exemption, and certified by an authorized officer of the Applicant as being a true copy of the original on file with the Applicant; (ii) a duly notarized undertaking, in prescribed form, executed by (ii.a) the Corporate Secretary or any authorized representative, who has personal knowledge of the exemption based on his official functions, if the Applicant purchases the Bonds for its account, or (ii.b) the Trust Officer, if the Applicant is a universal bank authorized under Philippine law to perform trust and fiduciary functions and purchase the Bonds pursuant to its management of tax-exempt entities (i.e. Employee Retirement Fund, etc.), declaring and warranting that the same Bondholder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer and the Registrar and Paying Agent of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and Registrar and Paying Agent free and harmless against any claims, actions, suits, and liabilities arising from the non-withholding of the required tax; and (iii) such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief, which shall include a copy of the duly filed tax treaty relief application with the International Tax Affairs Division of the BIR as required under BIR Revenue Memorandum Order No. 72-2010; provided further that, all sums payable by the Issuer to tax-exempt entities shall be paid in full without deductions for Taxes, duties, assessments, or government charges, subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar and Paying Agent.

Bondholders may transfer their Bonds at any time, regardless of tax status of the transferor vis-à-vis the transferee. Should a transfer between Bondholders of different tax status occur on a day which is not an Interest Payment Date, tax exempt entities trading with non-tax exempt entities shall be treated as non-tax exempt entities for the interest period within which such transfer occurred. Transfers taking place in the Register of Bondholders after the Bonds are listed in PDEx may be allowed between taxable and tax-exempt entities without restriction provided the same are in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC. A selling or purchasing Bondholder claiming tax-exempt status is required to submit the following documents to the Issuer, within three (3) Business Days from settlement date: (i) a written notification of the sale or purchase, including the tax status of the selling or buying party, and (ii) an indemnity agreement wherein the new Bondholder undertakes to indemnify the Issuer for any tax that may later on be assessed from the Issuer on account of such transfer.

DOCUMENTARY STAMP TAX

A documentary stamp tax is imposed upon the issuance of debentures and certificates of indebtedness issued by Philippine companies, such as the Bonds, at the rate of ₱1.00 for each ₱ 200, or fractional part thereof, of the issue price of such debt instruments.

The documentary stamp tax is collectible wherever the document is made, signed, issued, accepted, or transferred, when the obligation or right arises from Philippine sources, or the property is situated in the Philippines. Any applicable documentary stamp taxes on the original issue shall be paid by the Issuer for its own account.

No documentary stamp tax is imposed on the subsequent sale or disposition of the Bonds.

TAXATION ON SALE OR OTHER DISPOSITION OF THE BONDS

Income Tax

Ordinary asset – The gain is included in the computation of taxable income, which is subject to the following graduated tax rates for Philippine citizens or resident foreign individuals:

Not over ₱10,000*	5%
Over ₱10,000 but not over ₱30,000	₱500 + 10% of the excess over ₱10,000
Over ₱30,000 but not over ₱70,000	₱2,500 + 15% of the excess over ₱30,000
Over ₱70,000 but not over ₱140,000	₱8,500 + 20% of the excess over ₱70,000
Over ₱140,000 but not over ₱250,000	₱22,500 + 25% of the excess over ₱140,000
Over ₱250,000 but not over ₱500,000	₱50,000 + 30% of the excess over ₱250,000
Over ₱500,000	₱125,000 + 32% of the excess over ₱500,000

*Other than minimum wage earners, who are exempt from paying income tax

Capital asset – Gains shall be subject to the same rates of income tax as if the Bonds were held as ordinary assets, except that if the gain is realized by an individual who held the Bond for a period of more than 12 months prior to the sale, only 50% of gain will be recognized and included in the computation of taxable income. If the Bond was held by an individual for a period of 12 months or less, 100% of gain is included.

Estate and Donor's Tax

The transfer of the Bonds by a deceased person to his heirs shall be subject to estate tax, which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20%, if the net estate is over ₱200,000.

A Bondholder shall be subject to donor's tax on the transfer of the Bonds by gift at either (i) 30%, where the donee or beneficiary is a stranger, or (ii) at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed ₱100,000, and where the donee or beneficiary is other than a stranger. For this purpose, a "stranger" is a person who is not a: (a) brother, sister (whether by whole or half-blood), spouse, ancestor and lineal descendant or (b) relative by consanguinity in the collateral line within the fourth degree of relationship.

USE OF PROCEEDS

Following the offer and sale of the Bonds in the amount of ₱8,000,000,000, ALI expects that the net proceeds of the Offering shall amount to approximately ₱7,915,227,875 after fees, commissions and expenses.

Net proceeds from the Offer are estimated as follows:

For the first tranche with a ₱8.0 Billion Issue Size

		Total
Estimated proceeds from the sale of the Bonds		₱8,000,000,000.00
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	4,355,625.00	
Documentary Stamp Tax	40,000,000.00	
Underwriting Fee	30,000,000.00	
Estimated Professional Expenses & Agency fees	7,748,500.00	
Marketing/Printing/Photocopying Costs and out-of-pocket expenses	2,500,000.00	
Listing Fee	168,000.00	
		₱84,772,125.00
Estimated net proceeds to Ayala Land, Inc.		₱ 7,915,227,875.00

Aside from the fees enumerated above, the Company will be paying the following estimated annual fees related to the Bonds:

1. PDEx annual listing maintenance fee of ₱100,000.00; and
2. Annual Rating Monitoring and Agency fees of ₱680,000.00.

Expenses incurred in connection with the offering of the Bonds, including documentary stamp tax, fees of the Trustee, Registrar and Paying Agent and the Underwriters' legal counsel will be for the account of the Issuer.

In the event of any deviation / adjustment in the planned use of proceeds, the Company shall inform the SEC and the stockholders of the same within 30 days prior to its implementation.

Net proceeds amounting to approximately ₱7.9 billion will be used to partially finance the Company's 2014 capital expenditures which include, but are not limited to, construction of various leasing projects including, but not limited to, Vertis Mall, BPO and Hotel (₱5.3 billion), Circuit Mall, Retail Strip, and Hotel (₱ 4.4 billion) and Southpark Mall and BPO (₱5.2 billion). A more comprehensive breakdown is illustrated below:

Project	Amount (In PhP Billions)	Launch Date	Target Completion Date
Vertis	*5.3*	*November 2013*	
Mall	1.6		April 2016
BPO 1 and 2	2.5		July 2016 and May 2017
Hotel	1.2		December 2016
Circuit	*4.4*	*October 2013*	
Retail Strip	0.6		December 2014
Mall	2.9		October 2016
Hotel	0.9		October 2016
Southpark	*5.2*	*October 2013*	
Mall	(single structure only)		November 2015
BPO			March 2016

DETERMINATION OF OFFERING PRICE

The Bonds shall be issued on a fully-paid basis and at an issue price that is at par.

PLAN OF DISTRIBUTION

THE OFFER

On March 7, 2014, Ayala Land filed a Registration Statement with SEC, in connection with the offer and sale to the public of the Bonds up to an aggregate principal amount of ₱15,000,000,000, to be issued in one or more tranches. The first tranche of the Offer will be issued with an aggregate principal amount of ₱8,000,000,000. The SEC has issued an order rendering the registration statement effective, and a corresponding permit to offer securities for sale covering the Offer.

THE UNDERWRITERS OF THE OFFER

BPI Capital, China Bank, DB, FMIC, HSBC, and PNB Capital, and BDO Capital, pursuant to an Underwriting Agreement with Ayala Land dated April 8, 2014 (the "Underwriting Agreement"), have agreed to act as the Joint Lead Managers and Joint Lead Underwriters, and Co-Manager, respectively, for the Offer and as such, distribute and sell the Bonds at the Issue Price, and have also committed severally and not jointly to underwrite, in total ₱8,000,000,000 of the first tranche of the Offer on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

BPI Capital is the sole Issue Manager for this transaction. The Underwriters will receive a fee of up to thirty-seven and a half basis points (0.375%) on the underwritten principal amount of the Bonds issued. Such fee shall be inclusive of underwriting and participation commissions.

The amount of the commitments of the Underwriters are as follows:

Underwriter	Commitment
BPI Capital	₱2,959,700,000
China Bank	₱980,000,000
DB	₱555,000,000
FMIC	₱1,054,000,000
HSBC	₱665,000,000
PNB Capital	₱605,000,000
BDO Capital	₱1,181,300,000
Total	**₱8,000,000,000**

There is no arrangement for the Underwriters to return to Ayala Land any unsold Bonds. The Underwriting Agreement may be terminated in certain circumstances prior to payment being made to Ayala Land of the net proceeds of the Bonds.

The Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Underwriters may, from time to time, engage in transactions with and perform services in the ordinary course of its business for Ayala Land or other members of the Ayala Group of which Ayala Land forms a part.

Except for BPI Capital, the Underwriters have no direct relations with Ayala Land in terms of ownership by either of their respective major stockholder/s. BPI Capital is a wholly-owned subsidiary of the Bank of the Philippine Islands ("BPI"). Ayala Land and BPI are affiliated companies, each having Ayala Corporation as a major shareholder.

SALE AND DISTRIBUTION

The distribution and sale of the Bonds shall be undertaken by the Underwriters who shall sell and distribute the Bonds to third party buyers/investors. Nothing herein shall limit the rights of the Underwriters from purchasing the Bonds for their own respective accounts.

OFFER PERIOD

The Offer Period shall commence at 10:00 a.m. on April 10, 2014 and end at 5:00 p.m. on April 21, 2014, or on such other date as the Issuer and Underwriters may agree upon.

APPLICATION TO PURCHASE

Applicants may purchase the Bonds during the Offer Period by submitting to the Underwriters properly completed Applications to Purchase, together with two signature cards, and the full payment of the purchase price of the Bonds in the manner provided therein. Corporate and institutional applicants must also submit, in addition to the foregoing, a copy of their SEC Certificate of Registration of Articles of Incorporation and By-Laws, Articles of Incorporation, By-Laws, and the appropriate authorization by their respective boards of directors and/or committees or bodies authorizing the purchase of the Bonds and designating the authorized signatory(ies) thereof. Individual applicants must also submit, in addition to the foregoing, a photocopy of any one of the following identification cards (ID): passport, driver's license, postal ID, company ID, SSS/GSIS ID and/or Senior Citizen's ID.

A corporate and institutional investor who is exempt from or is not subject to withholding tax shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the tax exemption certificate, ruling or opinion issued by the BIR; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities; provided that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar.

Completed Applications to Purchase and corresponding payments must reach the Underwriters prior to the end of the Offer Period, or such earlier date as may be specified by the Underwriters. Acceptance by the Underwriters of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by Ayala Land. In the event that any check payment is returned by the drawee bank for any reason whatsoever, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

MINIMUM PURCHASE

A minimum purchase of ₱50,000.00 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000.00.

ALLOTMENT OF THE BONDS

If the Bonds are insufficient to satisfy all Applications to Purchase, the available Bonds shall be allotted in accordance with the chronological order of submission of properly completed Applications to Purchase on a first-come, first-served basis, subject to Ayala Land's right of rejection.

REFUNDS

If any application is rejected or accepted in part only, the application money or the appropriate portion thereof shall be returned without interest to such applicant through the Underwriters from whom such application to purchase the Bonds was made.

UNCLAIMED PAYMENTS

Any payment of interest on, or the principal of the Bonds which remain unclaimed after the same shall have become due and payable, shall be held in trust by the Paying Agent for the Bondholders at the latter's risk.

PURCHASE AND CANCELLATION

The Issuer may at any time purchase any of the Bonds in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

SECONDARY MARKET

Ayala Land intends to list the Bonds in the PDEx. Ayala Land may purchase the Bonds at any time in the PDEx trading system without any obligation to make pro-rata purchases of Bonds from all Bondholders.

REGISTRY OF BONDHOLDERS

The Bonds shall be issued in scripless form. A Master Certificate of Indebtedness representing the Bonds sold in the Offer shall be issued to and registered in the name of the Trustee, on behalf of the Bondholders.

Beneficial title to the Bonds shall be shown in the Register of Bondholders to be maintained by the designated registrar for the Bonds. Initial placement of the Bonds and subsequent transfers of interests in the Bonds shall be subject to applicable Philippine selling restrictions prevailing from time to time. The Issuer will cause the Register of Bondholders to be kept at the specified office of the Registrar. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered in the Register of Bondholders.

DESCRIPTION OF THE BONDS

The following is a description of certain terms and conditions of the Bonds. This description of the terms and conditions of the Bonds set forth herein does not purport to be complete and is qualified in its entirety by reference to the agreements relating to the Bonds, copies of which are available for inspection at the offices of the Trustee. The terms and conditions set out in this section will, subject to amendment, be set out in the Trust Indenture between the Issuer and the Trustee.

The issue of up to ₽15,000,000,000.00 aggregate principal amount of Bonds to be issued in one or more tranches (the “Bonds”) was authorized by a resolution of the Board of Directors of Ayala Land dated February 21, 2014. The first tranche of the Bonds will be issued with an aggregate principal amount of ₽8,000,000,000. The Bonds are constituted by a Trust Indenture executed on April 8, 2014 (the “Trust Indenture”) between the Issuer and BPI-AMTG (the “Trustee”, which term shall, wherever the context permits, include all other persons or companies for the time being acting as trustee or trustees under the Trust Indenture). The description of the terms and conditions of the Bonds set out below includes summaries of, and is subject to, the detailed provisions of the Trust Indenture and the Registry and Paying Agency Agreement executed on April 8, 2014 (the “Registry and Paying Agency Agreement”) among the Issuer, the Registrar, and the Paying Agent. The Bonds shall be offered and sold through a general public offering in the Philippines, and issued and transferable in minimum principal amounts of Fifty Thousand Pesos (₽50,000.00) in multiples of Ten Thousand Pesos (₽10,000.00) thereafter, and traded in denominations of Ten Thousand Pesos (₽10,000.00) in the secondary market. The first tranche of the Bonds shall mature on April 25, 2025, unless earlier redeemed by the Issuer pursuant to the terms of the call option thereof and subject to the provisions on redemption and payment below.

PDTC has no interest in or relation to Ayala Land which may conflict with its roles as Registrar and as Paying Agent for the Offer. BPI is an affiliate of Ayala Land and BPI-AMTG is a unit of BPI, which is the parent company of BPI Capital Corporation, one of the Joint Lead Managers and Joint Lead Underwriters. Ayala Land is an affiliate of BPI, of which BPI-AMTG is a unit. Ayala Land and BPI-AMTG are independently managed entities.

Copies of the Trust Indenture and the Registry and Paying Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee and the Registrar. The holders of the Bonds (the “Bondholders”) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Indenture and are deemed to have notice of those provisions of the Registry and Paying Agency Agreement applicable to them.

1. Form, Denomination and Title

(a) Form and Denomination

The Bonds are in scripless form, and shall be issued, in denominations of Fifty Thousand Pesos (₽50,000.00) each, as a minimum, and in multiples of Ten Thousand Pesos (₽10,000.00) thereafter and traded in denominations of Ten Thousand Pesos (₽10,000.00) in the secondary market.

(b) Title

The beneficial interest to the Bonds shall be shown on and recorded in the Register of Bondholders maintained by the Registrar. A notice confirming the principal amount of the Bonds purchased by each applicant in the Offering shall be issued by the Registrar to all Bondholders following the Issue Date. Upon any assignment, title to the Bonds shall pass by recording the transfer from a transferor to the transferee in the Register of Bondholders maintained by the Registrar. Settlement in respect of such transfer or change of title to the Bonds, including the settlement of any cost arising from such transfers, including, but not limited to, documentary stamps taxes, if any, arising from subsequent transfers, shall be for the account of the relevant Bondholder.

(c) Bond Rating

The Bonds have been rated PRS Aaa by PhilRatings. Obligations rated PRS Aaa are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. The ratings reflect the following factors: (i) Ayala Land's well diversified portfolio with sizable and strategic landbank for future expansion, complemented by solid brand equity and a highly experienced management team; (ii) favorable outlook for the real estate industry backed by sound economic performance; (iii) continuously growing profitability, coupled with healthy cash flow generation and high cash reserves; and (iv) sound capitalization with manageable debt levels. PRS Aaa is the highest rating assigned by PhilRatings.

PhilRatings' ratings are based on available information and projections at the time that the rating review was performed. PhilRatings shall continuously monitor developments relating to Ayala Land and may change the ratings at any time, should circumstances warrant a change. After Issue Date, the Trustee shall monitor the compliance of the Bonds with the regular annual reviews.

2. Transfer of Bonds

(a) Register of Bondholders

The Issuer shall cause the Register of Bondholders to be kept by the Registrar, in electronic form. The names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of Bonds shall be entered into the Register of Bondholders. As required by Circular No. 428-04 issued by the *Bangko Sentral ng Pilipinas,* the Registrar shall send each Bondholder a written statement of registry holdings at least quarterly (at the cost of the Issuer) and a written advice confirming every receipt or transfer of the Bonds that is effected in the Registrar's system (at the cost of the relevant Bondholder). Such statement of registry holdings shall serve as the confirmation of ownership of the relevant Bondholder as of the date thereof. Any requests of Bondholders for certifications, reports or other documents from the Registrar, except as provided herein, shall be for the account of the requesting Bondholder. No transfers of the Bonds may be made during the period commencing on a Record Date as defined in the section on "*Interest Payment Date*."

(b) Transfers; Tax Status

Bondholders may transfer their Bonds at any time to persons of similar tax status (*i.e.*, tax-exempt to tax-exempt, taxable to taxable); otherwise, such Bondholder may sell only on an Interest Payment Date. A Bondholder claiming tax-exempt status is required to submit a written notification of the sale or purchase to the Trustee and the Registrar, including the tax status of the transferor or transferee, as appropriate, together with the supporting documents specified under *"Payment of Additional Amounts; Taxation,"* within three (3) days from the settlement date for such transfer. Transfers taking place in the Register of Bondholders after the Bonds are listed on PDEx shall be allowed between taxable and tax-exempt entities without restriction and observing the tax exemption of tax-exempt entities, if and/or when so allowed under and in accordance with the relevant rules, conventions and guidelines of PDEx and PDTC.

(c) Registrar

For transfers and record updates, notices and communication with the Registrar may be made thru the following:

Philippine Depository & Trust Corporation
37th Floor Enterprise Centre Tower I
Ayala Avenue, Makati City, Metro Manila

Telephone no.:	(632) 884-4439
Fax no.:	(632) 757-6025
E-mail:	corazon.ordonez@pds.com.ph
Attention:	Ma. Corazon Ordonez Executive Director

Telephone no.:	(632) 884-4425
Fax no.:	(632) 757-6025
E-mail:	baby_delacruz@pds.com.ph
Attention:	Josephine Dela Cruz Associate Director

(d) Secondary Trading of the Bonds

The Issuer intends to list the Bonds in PDEx for secondary market trading. The Bonds will be traded in a minimum board lot size of ₱10,000.00 as a minimum, and in multiples of ₱10,000.00 in excess thereof for as long as any of the Bonds are listed on PDEx. Secondary market trading in PDEx shall follow the applicable PDEx rules, conventions, and guidelines governing trading and settlement between bondholders of different tax status and shall be subject to the relevant fees of PDEx and PDTC.

3. Ranking

The Bonds constitute direct, unconditional, and unsecured Peso-denominated obligations of the Issuer and shall rank *pari passu* and ratably without any preference or priority amongst themselves and at least *pari passu* with all other present and future unsecured obligations of the Issuer, other than obligations preferred by the law.

4. Interest

(a) Interest Payment Dates

The Bonds bear interest on its principal amount from and including Issue Date at the fixed rate of 5.6250% per annum, payable semi-annually in arrears on April 25 and October 25 of each year while the Bonds are outstanding (each of which, for purposes of this section is an "Interest Payment Date") commencing on October 25, 2014 or the subsequent Business Day, without adjustment, if such Interest Payment Date is not a Business Day. The last Interest Payment Date shall fall on the relevant Maturity Date.

The cut-off date in determining the existing Bondholders entitled to receive interest or principal amount due shall be the day two (2) Business Days prior to the relevant Interest Payment Date (the "Record Date"), which shall be the reckoning day in determining the Bondholders entitled to receive interest, principal or any other amount due under the Bonds. No transfers of the Bonds may be made during this period intervening between and commencing on the Record Date and the relevant Interest Payment Date.

(b) Interest Accrual

Each Bond shall cease to bear interest, net of applicable withholding taxes, from and including the relevant Maturity Date, as defined in the discussion on *"Final Redemption",* unless, upon due presentation, payment of the principal in respect of the Bond then outstanding is not made, is improperly withheld or refused, in which case the Penalty Interest (see *"Penalty Interest"*) shall apply.

(c) Determination of Interest Amount

The interest shall be calculated on the basis of a 360-day year consisting of twelve (12) months of thirty (30) days each and, in the case of an incomplete month, the number of days elapsed on the basis of a month of thirty (30) days.

5. Call Option

(a) Call Option

The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding Bonds before the Maturity Date on any one of the anniversary dates indicated below (the "Call Option Dates"), or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

Call Option Dates	Call Option Price
On the 7th year from Issue Date	102.00%
On the 8th year from Issue Date	101.00%
On the 9th year from Issue Date	100.50%
On the 10th year from Issue Date	100.25%

The amount payable to the Bondholders in respect of any such redemption shall be calculated as the sum of (i) the Call Option Price applied to the principal amount of the then outstanding Bonds being redeemed and (ii) all accrued interest on the Bonds as of the Call Option Date.

(b) Exercise of a Call Option

Should the Issuer elect to exercise a Call Option, it shall do so by delivery of an original and three (3) copies of a notice of such exercise to the Trustee, submitted during business hours on a date no earlier than sixty (60) days and no later than thirty (30) days prior to the Call Option Date. Once executed, completed and delivered to the Trustee, a Call Option notice is irrevocable.

Upon receipt of a Call Option notice fully complying with these Terms and Conditions, the Trustee shall transmit the same notice to the Bondholders.

Notwithstanding anything to the contrary, in the event the Issuer has notified the Trustee that it will exercise the Call Option, any interest payment due on the Interest Payment Date immediately preceding the Call Option Date shall be paid on such Call Option Date.

6. Redemption and Purchase

(a) Final Redemption

Unless previously purchased and cancelled, the Bonds shall be redeemed at par or 100% of face value on the Maturity Date. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment, on the succeeding Business Day if the Maturity Date is not a Business Day.

(b) Redemption for Taxation Reasons

If payments under the Bonds become subject to additional or increased taxes other than the taxes and rates of such taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Bonds in whole, but not in part, (having given not more than sixty (60) nor less than fifteen (15) days' prior written notice to the Trustee) at par plus accrued interest, net of applicable withholding taxes.

(c) Purchase and Cancellation

The Issuer may at any time purchase any of the Bonds at any price in the open market or by tender or by contract at any price, without any obligation to purchase (and the Bondholders shall not be obliged to sell) Bonds pro-rata from all Bondholders. Any Bonds so purchased shall be redeemed and cancelled and may not be re-issued. Upon listing of the Bonds on PDEx, the Issuer shall disclose any such transactions in accordance with the applicable PDEx disclosure rules.

(d) Change in Law or Circumstance

The following events shall be considered as changes in law or circumstances ("Change in Law or Circumstance") as it refers to the obligations of the Issuer and to the rights and interests of the Bondholders under the Trust Indenture and the Bonds:

(i) Any government and/or non-government consent, license, authorization, registration or approval now or hereafter necessary to enable the Issuer to comply with its obligations under the Trust Indenture or the Bonds shall be modified in a manner which, in the reasonable opinion of the Trustee, shall materially and adversely affect the ability of the Issuer to comply with such obligations, or shall be withdrawn or withheld.

(ii) Any provision of the Trust Indenture or any of the related documents is or shall become, for any reason, invalid, illegal or unenforceable to the extent that shall become for any reason unlawful for the Issuer to give effect to its rights or obligations hereunder, or to enforce any provisions of the Trust Indenture or any of the related documents in whole or in part, or any law shall be introduced to prevent or restrain the performance by the parties hereto of their obligations under the Trust Indenture or any other related documents.

(iii) Any concessions, permits, rights, franchise or privileges required for the conduct of the business and operations of the Issuer shall be revoked, canceled or otherwise terminated, or the free and continued use and exercise thereof shall be curtailed or prevented, in such manner as to materially and adversely affect the financial condition or operations of the Issuer.

(iv) The Republic of the Philippines or any competent authority thereof takes any action to suspend the whole or a substantial portion of the operations of the Issuer and to condemn, seize, nationalize or appropriate (either with or without compensation) the Issuer or any material portion of its properties or assets, unless such act, deed or proceedings are contested in good faith by the Issuer.

If any one or more of the events enumerated as a Change of Law or Circumstance shall occur and be continuing for a period of thirty (30) days, the Majority Bondholders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said thirty (30) day period, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, without any prepayment penalty, anything contained in the Trust Indenture or in the Bonds to the contrary notwithstanding, subject to the notice requirements under the discussion on *"Notice of Default."*

7. Payments

The principal of, interest on, and all other amounts payable on the Bonds shall be paid to the Bondholders by crediting of the cash settlement accounts designated by each of the Bondholders. The principal of, and interest on, the Bonds shall be payable in Philippine Pesos.

The Issuer shall ensure that so long as any of the Bonds remains outstanding, there shall at all times be a Paying Agent for the purposes of the Bonds and the Issuer or the Paying Agent may only terminate the appointment of the Paying Agent as provided in the Registry and Paying Agency Agreement. In the event the appointed office of any institution shall be unable or unwilling to continue to act as the Paying Agent, the Issuer shall appoint the Makati City office of such other leading institution in the Philippines authorized to act in its place. The Paying Agent may not resign its duties or be removed without a successor having been appointed.

8. Payment of Additional Amounts; Taxation

Interest income on the Bonds is subject to a final withholding tax at rates of between twenty percent (20%) and thirty percent (30%) depending on the tax status of the relevant Bondholder under relevant law, regulation or tax treaty. Except for such final withholding tax and as otherwise provided, all payments of principal and interest are to be made free and clear of any deductions or withholding for or on account of any present or future taxes or duties imposed by or on behalf of Republic of the Philippines, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties, if any. If such taxes or duties are imposed, the same shall be for the account of the Issuer; provided however that, the Issuer shall not be liable for the following:

(a) The applicable final withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended and its implementing rules and regulations as maybe in effect from time to time (the "Tax Code"). An investor who is exempt from the aforesaid withholding tax, or is subject to a preferential withholding tax rate shall be required to submit the following requirements to the Registrar, subject to acceptance by the Issuer as being sufficient in form and substance: (i) certified true copy of the (dated no earlier than required to be considered valid under applicable tax regulations at the relevant time) current and valid tax exemption certificate, ruling or opinion issued by the Bureau of Internal Revenue confirming the exemption or preferential rate; (ii) a duly notarized undertaking (in the prescribed form and substance by Ayala Land) declaring and warranting that the same Bondholder named in the tax exemption certificate described in (a) above, is specifically exempt from the relevant tax or is subject to a preferential tax rate for the relevant tax, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates or preferential rate entitlement, and agreeing to indemnify and hold the Issuer and the Registrar free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities which for purposes of claiming tax treaty withholding rate benefits, shall include evidence of the applicability of a tax treaty and consularized proof of the Bondholder's legal domicile in the relevant treaty state, and confirmation acceptable to the Issuer that the Bondholder is not doing business in the Philippines; provided further that, all sums payable by the Issuer to tax exempt entities shall be paid in full without deductions for taxes, duties assessments or government charges subject to the submission by the Bondholder claiming the benefit of any exemption of reasonable evidence of such exemption to the Registrar;

(b) Gross Receipts Tax under Section 121 of the Tax Code;

(c) Taxes on the overall income of any securities dealer or Bondholder, whether or not subject to withholding; and

(d) Value-added Tax ("VAT") under Sections 106 to 108 of the Tax Code, and as amended by Republic Act No. 9337.

Documentary stamp tax for the primary issue of the Bonds and the execution of the Bond Agreements, if any, shall be for the Issuer's account.

9. Financial Ratios

The Issuer shall maintain, for as long as any of the Bonds remain outstanding, a Debt to Equity Ratio of not more than 3:1.

10. Negative Pledge

For as long as any of the Bonds remain outstanding, the Issuer covenants that it shall not, without the prior written consent of the Bondholders who hold, represent or account for more than fifty percent (50%) of the principal amount of the Bonds then outstanding (the "Majority Bondholders"), permit any indebtedness for borrowed money to be secured by or to benefit from any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties for the purpose of securing its or its Affiliate's obligation (a "Lien") in favor of any creditor or class of creditors without providing the Bondholders with a Lien, the benefit of which is extended equally and ratably among them to secure the Bonds; provided however that*,* this restriction shall not prohibit "Permitted Liens," which are:

(a) Any Lien over any asset, including, but not limited to assets purchased, leased, or developed in the ordinary course of business, to secure: (i) the payment of the purchase price or cost of leasehold rights of such asset; or (ii) the payment of the cost and expenses for the development of such asset pursuant to any development made or being made by the Issuer in the ordinary course of business; or (iii) the payment of any indebtedness in respect of borrowed money (including extensions and renewals thereof and replacements therefor) incurred for the purpose of financing the purchase, lease or development of such asset.

(b) Any Lien constituted for any obligation or credit facility incurred for the purpose of pursuing any infrastructure project or investment therein, whether such infrastructure project is undertaken by the Issuer itself, by its Affiliates, and/or by the Issuer or its Affiliates with third parties, and whether the same is carried on separately from or integrated with any of the real estate development of the Issuer, or any Lien constituted by the Issuer on its right to receive income or revenues (whether in the form of dividends or otherwise) from infrastructure projects or related investments therein.

(c) Any Lien created for the purpose of paying current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty; or the validity of which is contested in good faith in appropriate proceedings upon stay of execution of the enforcement thereof and adequate reserves having been provided for the payment thereof.

(d) Any Lien to secure, in the normal course of the business of the Issuer or its Affiliates: (i) statutory or regulatory obligations; (ii) surety or appeal bonds; (iii) bonds for release of attachment, stay of execution or injunction; or (iv) performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases.

(e) Any Lien: (i) imposed by law, such as carrier's, warehousemen's, mechanics' liens and other similar liens arising in the ordinary course of business and not material in amount; (ii) arising out of pledge or deposits under the workmen's compensation laws, unemployment insurance, old age pensions or other social security or retirement benefits or similar legislation; and (iii) arising out of set-off provisions in the normal course of its financing arrangements; provided that, the Bondholders hereunder shall also have to the extent permitted by applicable law, and upon notice to the Issuer, a similar right of set-off.

(f) Any Lien in favor of banks, insurance companies, other financial institutions and Philippine government agencies, departments, authorities, corporations or other juridical entities, which secure a preferential financing obtained by the Issuer under a governmental program, and which cover assets of the Issuer which have an aggregate appraised value, determined in accordance with generally accepted appraisal principles and practices consistently applied not exceeding ₱5,000,000,000.00.

(g) Any Lien existing on the date of the Trust Indenture which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Indenture.

(h) Any Lien established in favor of insurance companies and other financial institutions in compliance with the applicable requirements of the Office of the Insurance Commission on admitted assets or the requirements of the BSP on loans and financial accommodations extended to directors, officers, stockholders and related interests ("DOSRI").

(i) Any Lien constituted for the purpose of guaranteeing an Affiliate's obligation in connection with any contract or agreement that has been assigned to such Affiliate by the Issuer.

(j) The assignment, transfer or conveyance of the Issuer's right to receive any of its income or revenues from receivables arising out of the sale of property held for sale by the Issuer in the ordinary course of business (the "Project Receivables").

(k) The assignment, transfer or conveyance of the right of the Issuer to receive any income or revenues other than from Project Receivables; provided that, the constitution by the Issuer of such Lien shall not cause the Issuer to exceed the ratio of the amount of indebtedness of the Issuer secured by any lien constituted pursuant to this subparagraph (k) to the non-current assets of the Issuer (as computed in accordance with Philippine Financial Reporting Standards and based on the most recent audited financial statements of the Issuer) which ratio shall not be more than 0.5:1.

(l) Any Lien to be constituted on the assets of the Issuer after the date of the Trust Indenture which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Indenture or any Lien for an aggregate loan accommodation not exceeding the equivalent of 10% of the market value of the consolidated assets of the Issuer as reflected in the latest appraisal report submitted by an independent and reputable appraiser.

(m) Any Lien constituted over the investment of the Issuer in any of its Affiliates, whether such investment is in the form of shares, deposits or advances, to guarantee or secure the obligations of the said Affiliates.

(n) Any Lien constituted for the purpose of guaranteeing an Affiliate's obligation in connection with any contract or agreement (other than for borrowed money).

(o) Any title transfer or retention of title arrangement entered into by the Issuer in the normal course of its trading activities on the counterparty's standard or usual terms.

(p) Any Lien created over (i) deposits made by the Issuer with the proceeds of any loan facility made to it by any bank or financial institution denominated in a currency other than Philippine Pesos ("foreign currency"); or (ii) financial instruments denominated in foreign currency owned by the Issuer, in each case solely for the purpose of securing loan facilities denominated in Philippine Pesos granted by the Issuer in an aggregate principal amount not exceeding the amount of the deposit of the face amount (or value) of that financial instrument.

(q) Any Lien created over cash deposits or marketable investment securities in favor of a bank or financial institution to secure any borrowed money in connection with a treasury transaction; provided that, the aggregate amount of security does not at any time exceed US$30,000,000.00 or its equivalent. For this purpose, a "treasury transaction" means any currency, commodity, or interest rate purchase, cap or collar agreement, forward rate agreement, future or option contract, swap or other similar agreement, in relation to the Issuer's treasury management;

(r) The assignment, transfer or conveyance by way of Lien (in any case without recourse) of the Issuer's right to receive any income or revenues from any asset of the Issuer not used in the ordinary course of business; provided that, the constitution by the Issuer of such Lien shall not cause the Issuer to breach the Debt to Equity Ratio.

12. Events of Default

The Issuer shall be considered in default under the Bonds and the Trust Indenture in case any of the following events (each an "Event of Default") shall occur and is continuing:

(a) Payment Default

The Issuer fails to pay when due and payable any amount which the Issuer is obliged to pay to the Bondholders under the Trust Indenture and the Bonds, and such failure, if due to causes other than the willful misconduct or gross negligence of the Issuer, is not remedied within five (5) Business Days from receipt by the Issuer of written notice of such non-payment from the Trustee; provided, however, that, the amount due for payment during the said five (5) Business Day remedy period shall be subject to the interest specified in the section *"Interest."*

(b) Representation/Warranty Default

Any representation and warranty of the Issuer hereof or any certificate or opinion submitted pursuant hereto proves to have been untrue, incorrect or misleading in any material respect as and when made and the circumstances which cause such representation or warranty to be incorrect or misleading continue for not less than fourteen (14) days (or such longer period as the Majority Bondholders shall approve) after receipt of written notice from the Bondholders to that effect.

(c) Other Default

The Issuer fails to perform or violates any other provision, term of the Trust Indenture and the Bonds, and such failure or violation is not remediable or, if remediable, continues to be unremedied after the applicable grace period, or in the absence of such grace period, after thirty (30) days from the date of occurrence of the said violation with respect to the covenant to maintain the prescribed financial ratio, (particularly a maximum debt to equity ratio of 3:1.0 and within ten (10) Business Days from the date of the occurrence of said violation, with respect to any other covenant or obligation; provided that, the Events of Default constituting insolvency initiated by the Issuer or closure default, or a violation of a negative covenant shall not be remediable.

(d) Cross Default

The Issuer violates any material term or condition of any contract executed by the Issuer with any bank, financial institution or other person, corporation or entity for the payment of borrowed money which constitutes an event of default under said contract, or in general, violation of any, law or regulation which violation, if remediable, is not remedied by the Issuer within ten (10) Business Days from receipt of notice by the Trustee to the Issuer, or which violation is otherwise not contested by the Issuer, and the effect of such violation results in the acceleration or declaration of the whole financial obligation to be due and payable prior to the stated normal date of maturity; and which violation shall, further, in the reasonable opinion of the Trustee, adversely and materially affect the performance by the Issuer of its obligations under the Trust Indenture and the Bonds; provided however that, no event of default shall occur under this paragraph unless the aggregate amount of indebtedness in respect of which one or more of the events above mentioned has/have occurred equals or exceeds ₱500,000,000.00.

(e) Insolvency Default

The Issuer becomes insolvent or unable to pay its debts when due or commits or permits any act of bankruptcy, which term shall include, but shall not be limited to: (i) filing of a petition in any bankruptcy, reorganization (other than a labor or management reorganization), winding-up, suspension of payment or liquidation proceeding, or any other proceeding analogous in purpose and effect; (ii) appointment of a trustee or receiver of all or a substantial portion of its properties; (iii) making of an assignment for the benefit of its creditors; (iv) the admission in writing by the Issuer of its inability to pay its debts; or (v) the entry of any order or judgment of any court, tribunal or administrative agency or body confirming the bankruptcy or insolvency of the Issuer or approving any reorganization (other than a labor or management reorganization), winding-up, liquidation or appointment of trustee or receiver of the Issuer or a substantial portion of its property or assets.

(f) Judgment Default

Any final judgment, decree or arbitral award for the sum of money, damages or for a fine or penalty in excess of ₱500,000,000.00 or its equivalent in any other currency is entered against the Issuer and the enforcement of which is not stayed, and is not paid, discharged or duly bonded within thirty (30) calendar days after the date when payment of such judgment, decree or award is due under the applicable law or agreement.

(g) Writ and Similar Process Default

Any judgment, writ, warrant of attachment, injunction, stay order, execution or similar process shall be issued or levied against any material part of the Issuer's assets and such judgment, writ, warrant or similar process shall not be released, vacated or fully bonded within thirty (30) calendar days after its issue or levy.

(h) Closure Default

The Issuer voluntarily suspends or ceases operations of a substantial portion of its business for a continuous period of thirty (30) calendar days except in the case of strikes or lockouts or when necessary to prevent business losses or when due to fortuitous events or *force majeure.*

13. Notice of Default

The Trustee shall, within thirty (30) days after the occurrence of any Event of Default, give to the Bondholders written notice of such default known to it, unless the same shall have been cured before the giving of such notice; provided that, in the case of payment default, as described in *"Payment Default,"* the Trustee shall immediately notify the Bondholders upon the occurrence of such payment default. The existence of a written notice required to be given to the Bondholders hereunder shall be published in a newspaper of general circulation in Metro Manila for two (2) consecutive days, further indicating in the published notice that the Bondholders or their duly authorized representatives may obtain an important notice regarding the Bonds at the principal office of the Trustee upon presentment of sufficient and acceptable identification.

14. Consequences of Default

(a) If any one or more of the Events of Default shall have occurred and be continuing, either the Trustee, upon the written instructions of the Majority Bondholders and by notice in writing delivered to the Issuer, or the Majority Bondholders, by notice in writing delivered to the Issuer and the Trustee, may declare the principal of the Bonds, including all accrued interest, net of applicable withholding taxes, and other charges thereon, if any, to be immediately due and payable, and upon such declaration the same shall be immediately due and payable, anything contained in the Trust Indenture or in the Bonds to the contrary notwithstanding.

(b) This provision, however, is subject to the condition that, except in the case of a Writ and Similar Process Default, the Majority Bondholders, by written notice to the Issuer and the Trustee may, during the prescribed curing period, if any, rescind and annul such declaration made by the Trustee pursuant to a consequence of default, and the consequences of such declaration, upon such terms, conditions and agreement, if any, as they may determine; provided that, no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair any right consequent thereon.

(c) At any time after any Event of Default shall have occurred, the Trustee may:

(i) by notice in writing to the Issuer, require the Registrar and Paying Agent to:

(aa) act thereafter as agents of the Bondholders represented by the Trustee on the terms provided in the Paying Agency and Registry Agreement (with consequential amendments as necessary and save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Paying Agent and the Registrar shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Indenture in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or

(bb) deliver all evidence of the Bonds and all sums, documents and records held by them in respect of the Bonds to the Trustee or as the Trustee shall direct in such notice; provided that, such notice shall be deemed not to apply to any document or record which the Registrar and Paying Agent is not obliged to release by any law or regulation; and

(ii) by notice in writing to the Issuer, require the Issuer to make all subsequent payments in respect of the Bonds to the order of the Trustee and with effect from the issue of any such notice until such notice is withdrawn, provision (bb) above and the Issuer's positive covenant to pay principal and interest, net of applicable withholding taxes, on the Bonds, more particularly set forth in the Trust Indenture, shall cease to have effect.

In case any amount payable by the Issuer under the Bonds, whether for principal, interest or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay Penalty Interest on the defaulted amount(s) from the time the amount falls due until it is fully paid.

15. Penalty Interest

In case any amount payable by the Issuer under the Bonds, whether for principal, interest, net of applicable withholding taxes, or otherwise, is not paid on due date, the Issuer shall, without prejudice to its obligations to pay the said principal, interest, net of applicable withholding taxes, and other amounts, pay penalty interest on the defaulted amount(s) at the rate of twelve percent (12%) per annum (the “Penalty Interest”) from the time the amount falls due until it is fully paid.

16. Payment in the Event of Default

The Issuer covenants that upon the occurrence of any Event of Default, the Issuer shall pay to the Bondholders, through the Paying Agent, the whole amount which shall then have become due and payable on all such outstanding Bonds with interest at the rate borne by the Bonds on the overdue principal, net of applicable withholding taxes, and with Penalty Interest as described above, and in addition thereto, the Issuer shall pay to the Trustee such further amounts as shall be determined by the Trustee to be sufficient to cover the cost and expenses of collection, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any reasonable expenses or liabilities incurred without negligence or bad faith by the Trustee hereunder.

17. Application of Payments

Any money collected or delivered to the Paying Agent, and any other funds held by it, subject to any other provision of the Trust Indenture and the Registry and Paying Agency Agreement relating to the disposition of such money and funds, shall be applied by the Paying Agent in the order of preference as follows: *first,* to the payment to the to the Trustee, the Registrar and Paying Agent, of the costs, expenses, fees and other charges of collection, including reasonable compensation to them, their agents, attorneys and counsel, and all reasonable expenses and liabilities incurred or disbursements made by them, without negligence or bad faith; *second,* to the payment of the interest, net of applicable withholding taxes, in default, in the order of the maturity of such interest with Penalty Interest, which payment shall be made pro-rata among the Bondholders; *third,* to the payment of the whole amount then due and unpaid upon the Bonds for principal, and interest, net of applicable withholding taxes, with Penalty Interest, which payment shall be made pro-rata among the Bondholders; and *fourth,* the remainder, if any shall be paid to the Issuer, its successors or assigns, or to whoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct. For this purpose, the Paying Agent shall deliver to the Trustee a joint certification of the funds to be applied for payment, and a schedule of payments to be made in accordance with the conditions.

18. Prescription

Claims in respect of principal and interest or other sums payable hereunder shall prescribe unless made within ten (10) years (in the case of principal or other sums) or five (5) years (in the case of interest) from the date on which payment becomes due.

19. Remedies

All remedies conferred by the Trust Indenture and these Terms and Conditions to the Trustee and the Bondholders shall be cumulative and not exclusive and shall not be so construed as to deprive the Trustee or the Bondholders of any legal remedy by judicial or extra judicial proceedings appropriate to enforce the conditions and covenants of the Trust Indenture, subject to the discussion below on *"Ability to File Suit."*

No delay or omission by the Trustee or the Bondholders to exercise any right or power arising from or on account of any default hereunder shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence thereto; and every power and remedy given by the Trust Indenture to the Trustee or the Bondholders may be exercised from time to time and as often as may be necessary or expedient.

20. Ability to File Suit

No Bondholder shall have any right by virtue of or by availing of any provision of the Trust Indenture to institute any suit, action or proceeding for the collection of any sum due from the Issuer hereunder on account of principal, interest, net of applicable withholding taxes, and other charges, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless (i) such Bondholder previously shall have given to the Trustee written notice of an Event of Default and of the continuance thereof and the related request for the Trustee to convene a meeting of the Bondholders to take up matters related to their rights and interests under the Bonds; (ii) the Majority Bondholders shall have decided and made the written request upon the Trustee to institute such action, suit or proceeding in the latter's name; (iii) the Trustee, for sixty (60) days after the receipt of such notice and request shall have neglected or refused to institute any such action, suit or proceeding; and (iv) no directions inconsistent with such written request shall have been given under a waiver of default by the Bondholders, it being understood and intended, and being expressly covenanted by every Bondholder with every other Bondholder and the Trustee, that no one or more Bondholders shall have any right in any manner whatever by virtue of or by availing of any provision of the Trust Indenture to affect, disturb or prejudice the rights of the holders of any other such Bonds or to obtain or seek to obtain priority over or preference to any other such holder or to enforce any right under the Trust Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all the Bondholders.

21. Waiver of Default by the Bondholders

The Majority Bondholders may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee, or may, on behalf of the Bondholders waive any past default, except the events of default defined as a payment default, breach of representation or warranty default, insolvency default, or closure default, and its consequences. In case of any such waiver, the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder; provided however that, no such waiver shall extend to any subsequent or other default or impair any right consequent thereto. Any such waiver by the Majority Bondholders shall be conclusive and binding upon all Bondholders and upon all future holders and owners thereof, irrespective of whether or not any notation of such waiver is made upon the certificate representing the Bonds.

22. Trustee; Notices

(a) Notice to the Trustee

All documents required to be submitted to the Trustee pursuant to the Trust Indenture and this Prospectus and all correspondence addressed to the Trustee shall be delivered to:

To the Trustee:	Bank of the Philippine Islands-Asset Management and Trust Group
Attention:	Trust Account Officer (IAM6)
Subject:	Ayala Land Fixed Rate Bonds due 2025
Address:	17th Floor BPI Building, 6768 Ayala Avenue, Makati City
Facsimile:	(632) 816-9042

All documents and correspondence not sent to the above-mentioned address shall be considered as not to have been sent at all.

Any requests for documentation or certification and other similar matters must be communicated by the Bondholder to the Trustee in writing and shall be subject to review, acceptance and approval by the Trustee. Upon such acceptance and approval, the Bondholder shall pay to the Trustee upfront a fee of ₱1,500.00 (the "Activity Fee") plus the costs of legal review, courier and the like. The Activity Fee may be adjusted from time to time, at the discretion of the Trustee.

In the absence of any applicable period stated elsewhere in these Conditions, written requests shall be reviewed and, if accepted and approved, addressed by the Trustee within ninety (90) days from receipt. This period may be extended should the Trustee be unable to review and address the requests for causes not attributable to the Trustee.

(b) Notice to the Bondholders

The Trustee shall send all Notices to Bondholders to their mailing address as set forth in the Register of Bondholders. Except where a specific mode of notification is provided for herein, notices to Bondholders shall be sufficient when made in writing and transmitted in any one of the following modes: (i) registered mail; (ii) surface mail; (iii) by one-time publication in a newspaper of general circulation in the Philippines; or (iv) personal delivery to the address of record in the Register of Bondholders. The Trustee shall rely on the Register of Bondholders in determining the Bondholders entitled to notice. All notices shall be deemed to have been received (i) ten (10) days from posting if transmitted by registered mail; (ii) fifteen (15) days from mailing, if transmitted by surface mail; (iii) on date of publication or (iv) on date of delivery, for personal delivery.

The publication in a newspaper of general circulation in the Philippines of a press release or news item about a communication or disclosure made by Ayala Land to the Securities and Exchange Commission on a matter relating to the Bonds shall be deemed a notice to Bondholders of said matter on the date of the first publication.

(c) Binding and Conclusive Nature

Except as provided in the Trust Indenture, all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained by the Trustee for the purposes of the provisions of the Trust Indenture, shall (in the absence of willful default, bad faith or manifest error) be binding on the Issuer, and all Bondholders and (in the absence as referred to above) no liability to the Issuer, the Paying Agent or the Bondholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions under the Trust Indenture.

23. Duties and Responsibilities of the Trustee

(a) The Trustee is appointed as trustee for and on behalf of the Bondholders and accordingly shall perform such duties and shall have such responsibilities as provided in the Trust Indenture. The Trustee shall, in accordance with the terms and conditions of the Trust Indenture, monitor the compliance or non-compliance by the Issuer with all its representations and warranties, and the observance by the Issuer of all its covenants and performance of all its obligations, under and pursuant to the Trust Indenture. The Trustee shall observe due diligence in the performance of its duties and obligations under the Trust Indenture. For the avoidance of doubt, notwithstanding any actions that the Trustee may take, the Trustee shall remain to be the party responsible to the Bondholders, and to whom the Bondholders shall communicate with in respect to any matters that must be taken up with the Issuer.

(b) The Trustee shall, prior to the occurrence of an Event of Default or after the curing of all such defaults which may have occurred, perform only such duties as are specifically set forth in the Trust Indenture. In case of default, the Trustee shall exercise such rights and powers vested in it by the Trust Indenture, and use such judgment and care under the circumstances then prevailing that individuals of prudence, discretion and intelligence, and familiar with such matters exercise in the management of their own affairs.

(c) None of the provisions contained in these Terms and Conditions or this Prospectus shall require or be interpreted to require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

24. Resignation and Change of Trustee

(a) The Trustee may at any time resign by giving thirty (30) days' prior written notice to the Issuer and to the Bondholders of such resignation.

(b) Upon receiving such notice of resignation of the Trustee, the Issuer shall immediately appoint a successor Trustee by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the resigning Trustee and one copy to the successor Trustee. However, notwithstanding the immediately preceding sentence, in cases where an Event of Default shall have occurred and be continuing, it is the Majority Bondholders, not the Issuer, that shall appoint the successor Trustee. If no successor shall have been so appointed and have accepted appointment within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor, or any Bondholder who has been a bona fide holder for at least six (6) months (the “Bona Fide Bondholder”) may, for and in behalf of the Bondholders, petition any such court for the appointment of a successor. Such court may thereupon after notice, if any, as it may deem proper, appoint a successor Trustee.

(c) Subject to Section (f) below, a successor Trustee must possess all the qualifications required under pertinent laws.

(d) In case at any time the Trustee shall become incapable of acting, or has acquired conflicting interest, or shall be adjudged as bankrupt or insolvent, or a receiver for the Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Trustee or of its properties or affairs for the purpose of rehabilitation, conservation or liquidation, then the Issuer may within thirty (30) days therefrom remove the Trustee concerned, and appoint a successor Trustee, by written instrument in duplicate, executed by its authorized officers, one copy of which instrument shall be delivered to the Trustee so removed and one copy to the successor Trustee. If the Issuer fails to remove the Trustee concerned and appoint a successor Trustee, any Bona Fide Bondholder may petition any court of competent jurisdiction for the removal of the Trustee concerned and the appointment of a successor Trustee. Such court may thereupon after such notice, if any, as it may deem proper, remove the Trustee and appoint a successor Trustee.

(e) The Majority Bondholders may at any time remove the Trustee for cause, and appoint a successor Trustee, by the delivery to the Trustee so removed, to the successor Trustee and to the Issuer of the required evidence under the provisions on Evidence Supporting the Action of the Bondholders in the Terms and Conditions of the Bonds.

(f) Any resignation or removal of the Trustee and the appointment of a successor Trustee pursuant to any provisions of the Trust Indenture shall become effective upon the earlier of: (i) acceptance of appointment by the successor Trustee as provided in the Trust Indenture; or (ii) effectivity of the resignation notice sent by the Trustee under the Trust Indenture (the “Resignation Effective Date”); provided however that, until such successor Trustee is qualified and appointed, the resigning Trustee shall continue to discharge its duties and responsibilities solely as custodian of records for turnover to the successor Trustee promptly upon the appointer thereof by the Issuer; provided finally that, such successor Trustee possesses all the qualifications as required by pertinent laws.

25. Successor Trustee

(a) Any successor Trustee appointed shall execute, acknowledge and deliver to the Issuer and to its predecessor Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusteeship with like effect as if originally named as Trustee in the Trust Indenture. The foregoing notwithstanding, on the written request of the Issuer or of the successor Trustee, the Trustee ceasing to act as such shall execute and deliver an instrument transferring to the successor Trustee, all the rights, powers and duties of the Trustee so ceasing to act as such. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments in writing as may be necessary to fully vest in and confer to such successor trustee all such rights, powers and duties.

(b) Upon acceptance of the appointment by a successor Trustee, the Issuer shall notify the Bondholders in writing of the succession of such trustee to the trusteeship. If the Issuer fails to notify the Bondholders within ten (10) days after the acceptance of appointment by the successor trustee, the latter shall cause the Bondholders to be notified at the expense of the Issuer.

26. Reports to the Bondholders

(a) The Trustee shall submit to the Bondholders on or before February 28 of each year from the relevant Issue Date until full payment of the Bonds a brief report dated as of December 31 of the immediately preceding year with respect to:

(i) the property and funds, if any, physically in the possession of the Paying Agent held in trust for the Bondholders on the date of such report; and

(ii) any action taken by the Trustee in the performance of its duties under the Trust Indenture which it has not previously reported and which in its opinion materially affects the Bonds, except action in respect of a default, notice of which has been or is to be withheld by it.

(b) The Trustee shall submit to the Bondholders a brief report within ninety (90) days from the making of any advance for the reimbursement of which it claims or may claim a lien or charge which is prior to that of the Bondholders on the property or funds held or collected by the Paying Agent with respect to the character, amount and the circumstances surrounding the making of such advance; provided that, such advance remaining unpaid amounts to at least ten percent(10%) of the aggregate outstanding principal amount of the Bonds at such time.

(c) The following pertinent documents may be inspected during regular business hours on any Business Day at the principal office of the Trustee:

(i) Trust Indenture
(ii) Registry and Paying Agency Agreement
(iii) Articles of Incorporation and By-Laws of the Company
(iv) Registration Statement of the Company with respect to the Bonds

(v) Opinions of the legal counsel with respect to the Issuer and the Bonds

27. Meetings of the Bondholders

A meeting of the Bondholders may be called at any time for the purpose of taking any actions authorized to be taken by or in behalf of the Bondholders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Indenture or under the law and such other matters related to the rights and interests of the Bondholders under the Bonds.

(a) Notice of Meetings

The Trustee may at any time call a meeting of the Bondholders, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of Bonds may direct in writing the Trustee to call a meeting of the Bondholders, to take up any allowed action, to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of the Bondholders, setting forth the time and the place of such meeting and the purpose of such meeting in reasonable detail, shall be sent by the Trustee to the Issuer and to each of the registered Bondholders not earlier than forty-five (45) days nor later than fifteen (15) days prior to the date fixed for the meeting. All reasonable costs and expenses incurred by the Trustee for the proper dissemination of the requested meeting shall be reimbursed by the Issuer within ten (10) days from receipt of the duly supported billing statement.

(b) Failure of the Trustee to Call a Meeting

In case at any time, the Issuer, pursuant to a resolution of its board of directors or executive committee, or the holders of at least twenty-five percent (25%) of the aggregate outstanding principal amount of the Bonds shall have requested the Trustee to call a meeting of the Bondholders by written request setting forth in reasonable detail the purpose of the meeting, and the Trustee shall not have mailed and published, in accordance with the notice requirements, the notice of such meeting, then the Issuer or the Bondholders in the amount above specified may determine the time and place for such meeting and may call such meeting by mailing and publishing notice thereof.

(c) Quorum

The Trustee shall determine and record the presence of the Majority Bondholders, personally or by proxy. The presence of the Majority Bondholders, personally or by proxy, shall be necessary to constitute a quorum to do business at any meeting of the Bondholders.

(d) Procedure for Meetings

(i) The Trustee shall preside at all the meetings of the Bondholders, unless the meeting shall have been called by the Issuer or by the Bondholders, in which case the Issuer or the Bondholders calling the meeting, as the case may be, shall in like manner move for the election of the chairman and secretary of the meeting.

(ii) Any meeting of the Bondholders duly called may be adjourned for a period or periods not to exceed in the aggregate of one (1) year from the date for which the meeting shall originally have been called and the meeting as so adjourned may be held without further notice. Any such adjournment may be ordered by persons representing a majority of the aggregate principal amount of the Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present at the meeting.

(e) Voting Rights

To be entitled to vote at any meeting of the Bondholders, a person shall be a registered holder of one or more Bonds or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. Bondholders shall be entitled to one (1) vote for every Ten Thousand Pesos (₱10,000.00) interest. The only persons who shall be entitled to be present or to speak at any meeting of the Bondholders shall be the persons entitled to vote at such meeting and any representatives of the Issuer and its legal counsel.

(f) Voting Requirement

Except as provided in Condition 30 (Amendments), all matters presented for resolution by the Bondholders in a meeting duly called for the purpose shall be decided or approved by the affirmative vote of the Majority Bondholders present or represented in a meeting at which there is a quorum except as otherwise provided in the Trust Indenture. Any resolution of the Bondholders which has been duly approved with the required number of votes of the Bondholders as herein provided shall be binding upon all the Bondholders and the Issuer as if the votes were unanimous. Provided that:

i. in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Seven-Year Bonds, a quorum and the affirmative vote of the Majority Bondholders holding Seven-Year Bonds, exclusively, will be required to decide or approve such resolution; and

ii. in respect of any matter presented for resolution at any meeting of Bondholders that affect the rights and interests of only the holders of the Twenty-Year Bonds, a quorum and the affirmative vote of the Majority Bondholders holding Seven-Year Bonds, exclusively, will be required to decide or approve such resolution.

(g) Role of the Trustee in Meetings of the Bondholders

Notwithstanding any other provisions of the Trust Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of the Bondholders, in regard to proof of ownership of the Bonds, the appointment of proxies by registered holders of the Bonds, the election of the chairman and the secretary, the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote and such other matters concerning the conduct of the meeting as it shall deem fit.

28. Evidence Supporting the Action of the Bondholders

Wherever in the Trust Indenture it is provided that the holders of a specified percentage of the aggregate outstanding principal amount of the Bonds may take any action (including the making of any demand or requests and the giving of any notice or consent or the taking of any other action), the fact that at the time of taking any such action the holders of such specified percentage have joined therein may be evidenced by: (i) any instrument executed by the Bondholders in person or by the agent or proxy appointed in writing, or (ii) the duly authenticated record of voting in favor thereof at the meeting of the Bondholders duly called and held in accordance herewith, or (iii) a combination of such instrument and any such record of meeting of the Bondholders.

29. Non-Reliance

Each Bondholder also represents and warrants to the Trustee that it has independently and, without reliance on the Trustee, made its own credit investigation and appraisal of the financial condition and affairs of the Issuer on the basis of such documents and information as it has deemed appropriate and that it has subscribed to the Issue on the basis of such independent appraisal, and each Bondholder represents and warrants that it shall continue to make its own credit appraisal without reliance on the Trustee. The Bondholders agree to indemnify and hold the Trustee harmless from and against any and all liabilities, damages, penalties, judgments, suits, expenses and other costs of any kind or nature against the Trustee in respect of its obligations hereunder, except for its gross negligence or wilful misconduct.

30. Amendments

The Issuer and the Trustee may amend or waive any provisions of the Bond Agreements if such amendment or waiver is of a formal, minor, or technical nature or to correct a manifest error or inconsistency, without prior notice to or the consent of the Bondholders or other parties, provided in all cases that such amendment or waiver does not adversely affect the interests of the Bondholders and provided further that all Bondholders are notified of such amendment or waiver.

The Issuer and the Trustee may amend the Terms and Conditions of the Bonds with notice to every Bondholder following the written consent of the Majority Bondholders (including consents obtained in connection with a tender offer or exchange offer for the Bonds) or a vote of the Majority Bondholders at a meeting called for the purpose. However, without the consent of each Bondholder affected thereby, an amendment may not:

(a) reduce the percentage of principal amount of Bonds outstanding that must consent to an amendment or waiver;

(b) reduce the rate of or extend the time for payment of interest on the Bonds;

(c) reduce the principal of or extend the Maturity Date or vary the Call Option Dates of the Bonds;

(d) impair the right of any Bondholder to receive payment of principal of and interest on such Bondholder's Bonds on or after the due dates therefore or to institute suit for the enforcement of any payment on or with respect to such Bondholders;

(e) reduce the amount payable upon the redemption or repurchase of the Bonds under the Terms and Conditions or change the time at which the Bonds may be redeemed;

(f) make the Bonds payable in money other than that stated in the Bonds;

(g) subordinate the Bonds to any other obligation of Ayala Land;

(h) release any security interest that may have been granted in favor of the Bondholders;

(i) amend or modify the Payment of Additional Amounts, Taxation, the Events of Default of the Terms and Conditions or the Waiver of Default by the Bondholders; or

(j) make any change or waiver of this Condition.

It shall not be necessary for the consent of the Bondholders under this Condition to approve the particular form of any proposed amendment, but it shall be sufficient if such consent approves the substance thereof. After an amendment under this Condition becomes effective, the Issuer shall send a notice briefly describing such amendment to the Bondholders in the manner provided in the paragraph entitled "Notice to the Bondholders."

31. Governing Law

The Bond Agreements are governed by and are construed in accordance with Philippine law.

32. Venue

Any suit, action, or proceeding against the Issuer with respect to the Bonds or the Bond Agreements or on any judgment entered by any court in respect thereof may be brought in any competent court in the City of Makati, and the parties submit to the exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding or judgment, the Issuer and Bondholders expressly waiving other venue.

33. Waiver of Preference

The obligation created under the Bond Agreements and the Bonds shall not enjoy any priority of preference or special privileges whatsoever over any indebtedness or obligations of the Issuer. Accordingly, whatever priorities or preferences that this instrument may have or any person deriving a right hereunder may have under Article 2244, paragraph 14 of the Civil Code of the Philippine are hereby absolutely and unconditionally waived and renounced. This waiver and renunciation of the priority or preference under Article 2244, paragraph 14 of the Civil Code of the Philippines shall be revoked if it be shown that an indebtedness of the Issuer for borrowed money has a priority or preference under the said provision.

34. Certain Defined Terms

The following sets forth the respective definitions of certain terms used in this Terms and Conditions of the Bonds. Except as otherwise provided and where context indicates otherwise, defined terms in this Terms and Conditions of the Bonds have the meanings ascribed to them in the Trust Indenture.

(a) **Affiliate** means any corporation, directly or indirectly controlled by the Issuer, whether by way of ownership of at least twenty percent (20%) of the total issued and outstanding capital stock of such corporation, or the right to elect at least twenty percent (20%) of the number of directors in such corporation, or the right to control the operation and management of such corporation by reason of contract or authority granted by said corporation to the Issuer.

(b) **Bankruptcy** means, with respect to a Person, (a) that such Person has (i) made an assignment for the benefit of creditors; (ii) filed a voluntary petition in bankruptcy; (iii) been adjudged bankrupt, or insolvent; or had entered against such Person an order of relief in any bankruptcy or insolvency proceeding; (iv) filed a petition or an answer seeking for such Person any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation or filed an answer or other pleading admitting or failing to contest the material allegations of a petition filed against such Person in any proceeding of such nature; or (v) sought, consented to, or acquiesced in the appointment of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties; (b) sixty (60) days have elapsed after the commencement of any proceeding against such Person seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation and such proceeding has not been dismissed; or (c) sixty (60) days have elapsed since the appointment without such Person's consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of such Person's properties and such appointment has not been vacated or stayed or the appointment is not vacated within sixty (60) days after the expiration of such stay.

(c) **Current Liabilities** means the aggregate (as of the relevant date of calculation) of all liabilities of the Issuer falling due on demand or within one (1) year, including that portion of Long Term Debt which falls due within one (1) year (but excluding the current portion of any provision for estimated liability for land and property development) and such other liabilities as would be determined as such under the Philippine Financial Reporting Standards.

(d) **Lien** means any mortgage, pledge, lien or encumbrance constituted on any of the Issuer's properties, for the purpose of securing its or its Affiliates' obligation.

(e) **Long Term Debt** means the aggregate (as of the relevant date of calculation) of all those component parts of the liabilities of the Issuer which fall due or whose final payment is due on a date more than one (1) year after the relevant date for calculation, exclusive of reserve for land development and deferred credits, i.e., unearned income and/or unrealized gains.

(f) **Majority Bondholders** means the holders of more than fifty percent (50%) in principal amount, of the Bonds then outstanding.

(g) **Total Liabilities** means the aggregate (as of the relevant date for calculation) of Current Liabilities and Long Term Debt.

(h) **Total Stockholders' Equity** means the aggregate (as of the relevant date for calculation) of the par value of the outstanding common stock, preferred stock, capital surplus, retained earnings appraisal surplus arising from past appraisal and any further appraisal surplus arising from subsequent independent certified appraisal of the property, plant and equipment of the Issuer effected in compliance with the Philippine Financial Reporting Standards, and any reserve for expansion projects, less any intangible assets such as, but not limited to, goodwill, trademarks, patents, copyrights, leaseholds, and treasury stocks.

INDEPENDENT AUDITORS AND COUNSEL

LEGAL MATTERS

All legal opinion / matters in connection with the offering of the Bonds which are subject of this Offer will be passed upon by Romulo Mabanta Buenaventura Sayoc & De los Angeles for the Underwriters and by Co Ferrer & Ang-Co Law Offices for the Company.

INDEPENDENT AUDITORS

SyCip Gorres Velayo & Co., independent auditors and a member firm of Ernst & Young Global Limited audited Ayala Land, Inc. and Subsidiaries' consolidated financial statements as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 included in this Prospectus.

There is no arrangement that independent auditors will receive a direct or indirect interest in the Issuer or was a promoter, underwriter, voting trustee, director, officer, or employee of the Issuer.

a. **Audit and Audit-Related Fees**

Ayala Land and its subsidiaries paid its independent auditors the following fees in the past three years: *(in ₱ million)*

	Audit & Audit-related Fees	Tax Fees	Other Fees
2013	17.6*	-	-
2012	15.7*	-	-
2011	11.9*	-	-

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

Under paragraph D.3.1 of the Ayala Land Audit and Risk Committee Charter, the Audit Committee (composed of Oscar S. Reyes, Mercedita S. Nolledo, Jaime C. Laya and Aurelio R. Montinola III) recommends to the Board and stockholders the appointment of the independent auditor and the fixing of audit fees. The Board and stockholders approve the Audit Committee's recommendation.

b. **Tax Fees**

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

DESCRIPTION OF BUSINESS

Overview

Ayala Land is the real estate arm of Ayala Corporation. Ayala Land was spun-off by Ayala Corporation in 1988 to enhance management focus on Ayala Corporation's existing real estate business and to highlight the value of assets, management and capital structure of the real estate business.

The SEC issued Ayala Land its certificate of incorporation on June 30, 1988. The Ayala Land shares were offered to the public in an IPO of primary and secondary shares in 1991 and subsequently listed on the Makati and Manila Stock Exchanges (predecessors of the PSE). The IPO diluted Ayala Corporation's effective interest in Ayala Land to 88%. Since then, Ayala Corporation's effective interest has been further reduced to about 70.11% as at December 31, 2013 through, among others, the exercise of stock options by the respective employees of Ayala Corporation and Ayala Land, disposal of Ayala Land shares by Ayala Corporation and Ayala Land's issuance of new shares in relation to its acquisition of interest in companies owning properties in Canlubang, Laguna in 1993, exchanges under Bonds due 1996 and Bonds due 2001, conversions to Ayala Land common B shares of the entire ₱3.0 billion convertible Long Term Commercial Paper publicly issued in December 1994, and the equity top-up placements via an overnight bookbuilt offering of the Company in July 2012 and March 2013.

As of December 31, 2013, equity attributable to equity holders of Ayala Land amounted to ₱98.5 billion. It is listed on the PSE with a market capitalization of ₱350.8 billion as of December 31, 2013, based on Ayala Land's common share closing price of ₱24.75 as December 27, 2013, the last trading day of the said month.

As of December 31, 2013, foreign equity ownership of Ayala Land constituted 5,603,730,188 common shares and 609,541,527 voting preferred shares for an aggregate equivalent of 23% of total outstanding common shares and voting preferred shares.

Ayala Land's Businesses

Ayala Land is one of the largest real estate conglomerates in the Philippines engaged principally in the planning, development, subdivision and marketing of large-scale communities having a mix of residential, commercial, leisure and other uses.

The Residential Business Group ("RBG") of Ayala Land develops and sells high-end residential and leisure community developments through Ayala Land Premier ("ALP"); taps the middle-income urban residential segment through its wholly-owned subsidiary Alveo; develops and sells affordable house-and-lot packages and residential condominiums through Avida, also a wholly-owned subsidiary; and caters to the economic and socialized housing segments through its subsidiaries Amaia Land Corp. (formerly First Communities Realty, Inc.) and BellaVita Land Corp. (formerly South Maya Ventures, Inc.), respectively.

Ayala Land's Strategic Landbank Management Group ("SLMG") is involved in the acquisition, development and sale of large, mixed-use, masterplanned communities and serves as platform for all of the Company's developments – residences, malls, offices, hotels and resorts, and all the services that make up a vibrant and sustainable community.

The Commercial Business Group develops shopping centers and leases to third parties retail space and land therein. Through its subsidiaries, Ayala Theaters Management, Inc. and Five Star Cinema, Inc., it also operates movie theatres in these shopping centers. The Company has also ventured into the operation of food courts and entertainment facilities to complement its shopping center operations.

Furthermore, it is involved in the development and lease or sale of office buildings; sale of industrial lots and lease of factory buildings; and fee-based management and operations of office buildings.

The Company's Hotels and Resorts Group is involved in the development, operation and management of branded and boutique/businessman's hotels and eco-resorts; and leasing of land to hotel tenants.

Ayala Land's geographic businesses are engaged in the development, sale and lease of the Company's and its subsidiaries' product offerings in key cities in the Visayas and Mindanao regions. In the international market, it has investments in an Asian real estate private equity fund and its fund management company.

Its support businesses, on the other hand, include construction and property management of Ayala Land and third-party projects, chilled water supply and retail of electricity.

Vision

Ayala Land's vision and mission is to enhance its standing and reputation as the Philippines' leading real estate developer, and to be a strong partner in nation building. By developing integrated, masterplanned and sustainable mixed-use communities in vibrant growth centers all over the country, it strives to continually elevate the quality of life for all of its customers.

Ayala Land shall be a responsible corporate citizen, and act with integrity, foresight and prudence. It shall empower its employees to deliver products that exceed its customers' expectations and build long-term value for its shareholders.

Competitive Strengths

Attractive Industry Fundamentals. The real estate industry in the Philippines offers rich opportunities across all its sub-sectors. Its bright prospects are anchored on strong fundamentals: a stable economy, steady foreign inflows, particularly from OFs, increased affordability and the availability of attractive financing from banks, strong consumption spending in retail, and encouraging prospects for office space in the BPO sector.

Experience and Track Record. With over eight (8) decades of experience together with Ayala Corporation, Ayala Land is the largest and most experienced real estate developer in the Philippines. Combining leading-edge product innovation with prudent and effective risk management practices, the Company has the ability to manage across a complex portfolio of projects and developments and is able to thrive and prosper through the cyclical nature of the industry. Ayala Land's proven track record includes the development of Makati as the country's premier CBD and Ayala Alabang as a prestigious suburban residential community. It is replicating these successes in areas such as Bonifacio Global City ("BGC"), Cebu, and NUVALI in Canlubang as well as recently launched estates in Abreeza Davao, Centrio Cagayan de Oro, Arch South Taguig, Circuit Makati and Vertis North Quezon City.

Trusted Brand and Unparalleled Product Line-up. The Ayala Land name is synonymous with quality and prestige and is the most widely trusted brand in Philippine real estate. Ayala Land maintains leadership in most of its product lines – residential subdivision and high-rise residential condominiums, shopping centers, office buildings, hotels and resorts – and across a broad spectrum of price-points and geographies.

Large, Strategic Landbank. With control of 50 hectares of land in the Makati CBD and another 35 hectares in BGC, Ayala Land is a primary beneficiary of the country's asset reflation story. Providing significant upside is the 2,098-hectare NUVALI in Canlubang being developed as a showcase for environmental, economic and social sustainability.

Financial and Operating Resources. The Company has a strong balance sheet, supportive strategic shareholders, a variety of available funding sources and the patience to undertake both pocket-sized and large-scale projects or investments that balance the need for sustained earnings growth and long-term net asset value accretion. Ayala Land also draws on the competitive advantage provided by its wholly-owned subsidiaries Makati Development Corporation ("MDC") and Ayala Property Management Corporation ("APMC"), which are the country's largest and most experienced construction and property management companies, respectively.

Strong Management Team and Governance. The Company employs a proven and highly-credible management, architectural and engineering talent pool across all levels of the organization, most with experience across multiple business lines. Ayala Land also consistently ranks among the top Philippine companies in terms of corporate governance standards and best practices.

In 2013, the Company was again awarded the "Platinum Award for All Around Excellence in Financial Performance, Management, Corporate Governance, Social Responsibility, Environmental Responsibility and Investor Relations" by The Asset Magazine. Ayala Land was also adjudged "Best Overall Developer in the Philippines" by Euromoney for the tenth consecutive year in 2013 in its annual Real Estate Awards. Last year, Asiamoney also awarded Ayala Land as the Best Large Cap Corporate of the Year while Finance Asia cited Ayala Land as the second Best Managed Company in the Philippines.

Sustainability Framework Embedded in Business Processes. Over the years, Ayala Land has been intensifying the integration of sustainability principles in every step of its business processes. Ayala Land's entire business process, from acquisition, assessment, planning, design, construction, delivery and property management focus on long-term benefits and shared value for stakeholders while foreseeing and managing risks and protecting all investments. Ayala Land has sustainability and risk management policies in place to protect projects from flooding and other geohazards. Technical due diligence is an integral part of site assessment, while flood and erosion control measures are built into masterplans, through site designs that include retention and detention basins, biodiversity (native vegetation) conservation where applicable. Projects are also designed to serve the needs of the commuting and walking public. Ayala Land also has set green house gas ("GHG") emission intensity reduction targets and monitors energy, water and waste metrics in the properties it continues to manage.

Attractive Stock. For the three-year period ended December 31, 2013, Ayala Land has delivered a 3-year average Total Shareholder Return of 54% per annum, higher than the 3-year average Total Shareholder Return of the Property Index at 46%.

Strategy

Ayala Land has long enjoyed leadership in the traditional markets it serves, leveraging on long term relationships with customers, landowners, tenants, its employees, the local government and NGO communities, and providers of capital. Ayala Land shares values and a common long-term orientation that allows all parties concerned to prosper over time. Many of the best names in local and international retailing anchor its shopping centers while top multinationals either set up base in its HQ-type offices or locate in its BPO facilities. Ayala Land is also the partner of choice for strategic new partners, such as the Shangri-La and Holiday Inn groups, which want to make significant new investments in the country and help prime the Company's strategic growth centers.

Ayala Land plans to maintain and enhance its position as the leading property developer in the Philippines by continuing to develop large-scale, mixed-use integrated communities while diversifying its revenue base across its wide portfolio of businesses. To achieve this, Ayala Land will embark on an aggressive strategy anchored on five main pillars that will lay the ground work for the Company's long-term sustainable growth:

- *Growth.* The Company will actively strengthen and slowly establish its presence in several identified growth centers across the country to effectively expand its footprint into new geographies. It will also introduce new formats within its existing business models to diversify its portfolio of highly differentiated product offerings and tap into previously unserved markets and consumer segments to broaden its reach.

- *Margin Improvement.* Ayala Land will continue to implement various spend management and cost control initiatives and pursue operational efficiencies further across the organization, without sacrificing quality and with strict adherence to the principles of sustainability, to bring overall costs down and drive profitability.

- *Capital Efficiency.* The Company will also make more efficient use of resources and capital to improve asset turnover and returns on capital. To this end, Ayala Land will pursue an asset-light approach to development and optimize land use by maximizing synergies within the organization, moving with scale to maximize utilization and value-capture.

- *Organizational Development.* Ayala Land will continue to strengthen its risk management program to effectively contain strategic, operational, financial and supply-chain risks associated with the much increased business activity levels and enhance its internal talent pool and support systems ensure that these are supportive of the Company's growth objectives.

- *Brand-Building.* The Company will continue to leverage on product differentiation and its distinct value proposition. Moreover, it shall ensure the safety, security and timely delivery of all projects accompanied by efficient and effective customer service.

Products / Business and Recent Updates

Ayala Land is the largest and most diversified real estate company in the Philippines. It has organized its operations into several core businesses and support businesses. Its core business units consist of Residential Development, Strategic Landbank Management, Shopping Centers, Corporate Business, and Hotels and Resorts.

PROPERTY DEVELOPMENT

Residential Development

RBG is involved in the sale of high-end residential lots and units (including leisure community developments), middle-income residential lots and units, affordable lots and units, and economic housing lots and socialized housing units. It caters to domestic and overseas Filipino markets across the high-end, middle-income and affordable segments.

In recent years, overall growth of the residential market has been strong largely as a result of a huge housing backlog of 4 million units and affordable mortgage loans. On the international front, the continued growth of OFW remittances has injected new demand into the residential market. In response to these opportunities, Ayala Land will continue to grow its residential business line, which accounted for 52% of total revenues as of 2013. A robust project pipeline will enable the Company to expand its product offering in existing areas and accelerate geographic expansion, aided by strategic landbanking and mixed-use development and project management projects.

The Company will strengthen and provide clear differentiation across its five residential brands, each targeting a distinct segment of the market: ALP for the high-end segment, Alveo for the middle-income market; Avida for the affordable housing segment; Amaia for the economic housing segment; and BellaVita for the socialized housing segment.

To be more competitive, the Company will continue to enhance margins by leveraging its brand and track record to maximize pricing power where possible, along with managing construction costs and streamlining the project delivery process.

The Company's ongoing residential projects under the ALP brand include Santierra, Elaro and Luscara in NUVALI, The Crestwood at Ayala Westgrove Heights, Ayala Greenfield Estates, Serendra and most recently, the three towers of Park Terraces and Garden Towers in Makati, as well as The Suites in BGC. Ayala Land also introduced in 2005 its first leisure community project, Anvaya Cove Seaside Leisure Community, located in Morong, Bataan. Anvaya Cove, a 320-hectare development, is a high-end seaside residential resort community which offers a wide array of real estate options including residential lots, villas, and beach and nature club, among others.

As of December 31, 2013, Ayala Land booked 12,130 units, which was 10% higher than the year earlier. The Company was able to add 28,482 units of new inventory to buyers in 2013, with strong take up on new projects across all five brands.

Majority of the new units were from ALP's East Gallery Plce (407), Garden Towers 2 (334), Alveo's Lerato Tower 3 (569), Alveo Verve Residences (566), Solstice Circuit Makati (461), Portico Sandstone (440), Avida's Vita Tower 2 (697), Woodhill Settings Phase 2 (678), Asten Tower 1 (644), Aspira Tower 1 (636), Amaia's Steps Bicutan (1,400), Skies Shaw Samat (1,348), Skies Cubao Tower 2 (1,042), Skies Cubao Tower 3 (1,043), BellaVita's Porac (2,160), BellaVita Tayabas (1,521), BellaVita San Pablo (1,358) and BellaVita Lipa (1,037).

Sales to OF accounted for 20% of total residential sales as 2013, 68% higher in value terms as the impact of the US subprime crisis waned. Around 76% of the OF sales in 2013 came from the US and Asia-Pacific markets. For the year ended 2013, OF sales almost doubled to ₱13.5 billion from the same period in 2012 and comprised 20% of the total sales.

Aside from the expansion of sales efforts into other US states, Ayala Land is also looking at increasing its penetration in other markets such as Europe, the Middle East, and other fast growing markets like Singapore, China and Australia.

Strategic Landbank Management

SLMG is involved in the acquisition and development of large, mixed-use, masterplanned communities and serves as platform for all of the Company's developments – residences, malls, offices, and all the services that make up a vibrant and sustainable community.

With a long-term horizon, SLMG views its key landbank areas as launching pads for decades of development. Its approach to landbanking is oriented towards value creation and realization. SLMG applies financial discipline with a focus on yields, cashflows, and the judicious buying and selling of lots at the opportune time. The group develops, updates and refines masterplans, providing clear framework for decision making. It also engages community-based stakeholders such as local government units and other government entities to assure that vital infrastructure is in place to support the long-term development plans. Embedded in all these, and central to value creation and retention over time, is the concept of sustainability.

As of December 31, 2013, Ayala Land has a portfolio composed of 50 hectares in the Makati CBD, 35 hectares in BGC, 143 hectares in Altaraza Bulacan and 2,098 hectares in Canlubang, Laguna (NUVALI). In 2012, Ayala Land won the bid for the acquisition of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig, which Ayala Land will transform into a new business district and become the southern gateway to Metro Manila. In addition, the 21-hectare former Sta. Ana racetrack was launched in 2012 as The Circuit, which is envisioned to become the entertainment district of Makati.

In August 2009, the Company signed a joint-venture agreement with the National Housing Authority ("NHA") for the development of a 29.1 hectare North Triangle property in Quezon City into a transit-oriented mixed-use CBD soon to be Metro Manila's gateway to the north.

Noteworthy actions made by Ayala Land to sustain growth in momentum in future years include the following:

- In Makati: The Ayala Center Redevelopment

  The redevelopment program for Ayala Center involves introducing pioneering mixed use development characterized by higher overall density and more integrated, efficient and forward looking concepts.

  The redevelopment program involves the turnover of a 7,377 sqm land located at the corner of Makati Avenue to Kingdom Hotel Investments for the development of a high-end hotel complex.

  In 2012, the three towers of Park Terraces at the Ayala Center were launched. A branded hotel and BPO offices, which form part of the first phase of the Ayala Center

redevelopment.
.
In December 2008, Ayala Land launched Glorietta 5 which consists of three levels of retail, five levels of BPO and two levels of basement parking.

Meanwhile, Phase 2 of the Greenbelt 5 complex opened in October 2008 complementing Phase 1 of Greenbelt 5 and The Link parking/retail building which opened in October 2007.

Land values remain high in the area. As of end December 2013, developable land in Makati CBD is estimated by Colliers International at ₱341,506 per sqm.

- In BGC: Value Realization

  The Company's priming activities include Market! Market!, Serendra and Bonifacio High Street. Projects such as the recently opened St. Luke's Hospital, Mind Museum, and the Shangri-La Hotel Complex, will further drive land values upon completion. In 2012, Bonifacio High Street (BHS) Central – an extension of the existing BHS – was opened with an additional 10,000 sqm of retail GLA. One BHS was also launched, anchored by the ALP's high-end residential tower, The Suites with an estimated value of P9.0 billion. In 2012, Bonifacio High Street South (BHSS) was also launched which will house residential towers and offering office-for-sale products through launch of the BHSS Corporate Plaza.

- In Canlubang / NUVALI: Full Scale Regional Center

  Priming of NUVALI, the Company's showcase township development for environmental, economic and social sustainability, is well underway. Better than expected land values have been realized for the 5,039 residential lots and units put on the market since the soft launch of all residential brands in October 2007. The first BPO building in NUVALI One Evotech with total GLA of 11,500 sqm became operational by the 4th quarter of 2008 and the second BPO building Two Evotech opened in 2011. Solenad 2, the sequel to the first retail component of the development Solenad 1, also opened in 2011 with an additional 5,300 sqm of GLA. Currently under construction is the fourth SEDA which will soon rise in NUVALI.

  On the infrastructure side, the North-South road was already completed, as well as the establishment of Wi-Fi access in the lakeside area.

  Total project development cost was at ₱6.0 billion for phase 1 from 2007 to 2013. In a disclosure dated January 12, 2012, Ayala Land and its subsidiaries will be spending an estimated ₱12.5 billion as part of its capital expenditure program over the next five years in NUVALI through various developments, which will include residential, retail, office and hotel projects.
- *Visayas-Mindanao*

  The Company has been active at all fronts of real estate business in the Visayas and Mindanao regions. Through its subsidiaries Cebu Holdings, Inc. ("CHI") and affiliate Cebu Property Ventures Development Corporation ("CPVDC"), the Company offers the full range of Ayala Land's product line-up in the region: residential development, shopping center operations, office and BPO buildings and sale of commercial lots and club shares at City Sports Club Cebu.

It pioneered the seaside residential developments in Cebu with its landmark Amara project and has remained a market leader for the third consecutive year since its launch in 2005. In June 2007, Ayala Land entered the southern Philippine real estate market with the launch in Cagayan de Oro of Alegria Hills, ALP's first development in Mindanao. Two other Ayala Land projects in Negros Occidental continued to set the standards for local residential developments, Ayala Northpoint and Plantazionne Verdana Homes, both located in the suburbs of Bacolod City. In 2010, Ayala Land introduced its first high-rise residential towers in Cebu through ALP's 1016 Residences and Avida Towers Cebu I and II. Moreover, the newest estate in the Visayas region, Atria Park District located in Iloilo, was launched in 2013. It is envisioned to be another mixed-use project featuring residential towers, commercial establishments, parks and landscaped areas, medical facilities and a hotel building, over the long term.

Given Cebu's role as a primary destination and international gateway in Visayas and Mindanao, its shopping market has grown significantly and has extended to other key cities in the province. Ayala Land, through CHI, has embarked on a major expansion and renovation of Ayala Center Cebu. Adjacent to the mall, The Terraces opened at Ayala Center Cebu with additional 7,900 sqm of GLA while the second phase of the redevelopment opened an additional 34,000 square meters of gross leasable area. All in all, Ayala Center Cebu registered an occupancy rate of 90% as of December 2013.

With the growth of the IT industry, the demand for office space from both local and multinational companies continues to increase in Cebu. The Company, in partnership with CPVDC, built office spaces for lease to IT and IT-enabled firms and completed construction of Cebu eBloc, a 12-storey mid-rise office condominium, with a retail space at the ground floor. The Ayala Corporate Center in Cebu was likewise launched to address the demand for corporate offices.

As for developments in the Mindanao region, Ayala Land launched the first high rise residential projects in Davao through Alveo's Abreeza Residences and in Cagayan de Oro through Avida Centrio Towers in 2012. Moreover, there are currently two Seda Hotels operating in both Davao and Cagayan de Oro.

COMMERCIAL LEASING

Shopping Centers

AMG is involved in the 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; and management and operations of malls which are co-owned with partners. Ayala Land operates and manages a total of more than 30 shopping centers and retail areas with a combined 1.3 million sqm in GLA.

Ayala Land operates movie theater complexes with more than 40 screens and one live performance theater situated in its shopping centers. The movie theaters are operated primarily as a means of attracting customers to its shopping centers. The theaters are managed by

Ayala Theaters Management, Inc. and Five Star Cinema, Inc., wholly-owned subsidiaries of Ayala Land.

Leases for retail space within the shopping centers are generally short-term, ranging from one to five years for the initial lease, renewable annually. Land leases, on the other hand, have longer terms, usually up to 50 years in the case of hotel tenants. In general, rental rates for retail space equal the higher of (i) a basic rent plus a percentage of the tenant's gross sales, or (ii) a specified minimum amount. Rental rates for leases on hotel and department store sites are generally based on a percentage of gross sales.

Ayala Land's large-scale mixed-use developments that feature a retail component are greatly enhanced by the quality and distinctiveness of the retail concepts conceived and implemented by AMG. At the BGC, for instance, Serendra, Bonifacio High Street (BHS) and the recently opened BHS Central are priming the development in its City Center. Serendra's retail zone complements the suburban lifestyle of the residential development with authentic and unique restaurants and shops.

AMG continuously provides compelling and engaging mall events and promotions which enhance the shopping experience and sustain high pedestrian traffic. More than 10,000 event days or at least 30 events were being held daily, among them product launches, concerts, children's meet-and-greet events and youth-oriented fairs, at the Ayala Malls in 2013.

AMG provides a strong year-round support to all merchants. Merchants are valued as long-term partners. AMG constantly interacts and exchanges ideas with its merchants and provides training and development support where needed.

The average occupancy rate of all malls was at 95% as of December 31, 2013 with the opening of Harbor Point in Subic, Ayala NorthPoint in Talisay, Negros and Centrio Mall, while average building rental rates were steady from 2012. TriNoma, which opened in May 2007, had an average occupancy rate of 98% as of end of December 2013. MarQuee Mall in Pampanga, which opened on September 26, 2009, experienced increasing occupancy, ending 2013 at 92%. AMG's first mall in Davao Abreeza opened in May 2011 with almost 50,000 sqm of retail GLA and occupancy of 90% as of December 2013. Newly opened malls include The District Imus and The District Dasmarinas in Cavite, Up Town Center in Quezon City and Abreeza Expansion in Davao.

Ayala Land will pursue expansion plans anchored on the opportunities presented by the continued aspirational and lifestyle spending as well as growing value-consciousness among many families in different geographic areas. To ensure pipeline growth is based on right fundamentals, attention will be paid to selecting strategic sites, developing differentiated and superior product, serving the right markets, and ensuring proper execution of concepts for each new mall.

The Company also entered into a 50-year lease agreement with the Subic Bay Metropolitan Authority ("SBMA") and signed a joint-venture agreement with Anflo Management & Investment Corp. and Mindanao Motors Corp. which involves the construction of a shopping mall called Harbour Point inside the Subic Freeport Zone and in Cagayan de Oro City (Centrio), respectively, as part of the Company's geographic expansion program. In 2011, a 30-year lease contract agreement was signed with Ellimac Prime Holdings for the development of a retail complex within a 6-hectare property in Fairview, Quezon City, called Fairview Terraces.

Last February 2011, the Board of Regents of the University of the Philippines (U.P.) awarded to the Company the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as the U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The Company signed a 25-year lease contract for the property, with an option to renew said lease for another 25 years by mutual agreement.

The project will involve the construction of a retail establishment with 63,000 sqm of available gross leasable area (GLA) and a combination of headquarter-and-BPO-office type building with an estimated 8,000 square meters of GLA.

Offices Group

Ayala Land Offices Group is involved in the development and lease or sale of office buildings and fee-based management and operations of office buildings. Ayala Land owns and operates 5 traditional and 35 BPO buildings with a total area of 562,000 sqm.

Ayala Land aims to be the leading provider of office space for BPOs and significantly built up its BPO portfolio from end-2007 levels of 35,803 sqm of GLA. The build-up involved a variety of offerings - in very choice locations - covering stand-alone, build-to-suit office buildings, integrated nodes within large-mixed used developments such as Glorietta 5, Glorietta 1 & 2, and Vertex One in San Lazaro, and entire self-contained BPO and IT campuses like the UP-Ayala Land TechnoHub, One and Two Evotech Buildings in NUVALI, and the AyalaLand Baguio TechnoHub, to name a few.

While Makati has been well established as the country's premier CBD for decades, the prospects are bright for BGC to mirror Makati's success in the future. Large corporates have purchased land and have chosen to build or relocate their offices in BGC.

Leased out rates are at 96% for headquarter type office buildings and 87% for BPO buildings as of end December 2013, due to the opening of new BPO office buildings, with rental rates rising 8% from the same period in 2012 for BPO office buildings.

HOTELS AND RESORTS

Ayala Land is also involved in the development, operation and management of branded and boutique/businessman'shotels and eco-resorts. As of December 31, 2013, Ayala Land has in its portfolio the Hotel InterContinental Manila (334 rooms), the Cebu Marriott (301 rooms), Fairmont Hotel (280 rooms), Holiday Inn &Suites (348 rooms), Raffles Suites (32 rooms), Raffles Residences (237 rooms), SEDA Bonifacio Global City (179 rooms), SEDA Centrio (150 rooms) and SEDA Abreeza (186 rooms). SEDA NUVALI while still under construction, will feature 150 rooms and cater to the increasing number of business travelers into the country once completed.

The recovery in tourist arrivals which grew 10% as of December 2013 to 4.7 million tourists and the increase in business travelers resulted in 7% and 22% improvement in average room rate for hotels and resorts, respectively, at the end of 2013.

In 2010, Ayala Land successfully ventured into eco-tourism via the partnership with the Ten Knots Group for a 60% stake in the world-famous El Nido Resorts in Palawan. As of end of

2013, there are 150 rooms available from Miniloc, Lagen, and Apulit (previously Club Noah) Island Resorts and 42 villas from Pangulasian Island Resorts in El Nido Palawan.

In 2012, the Hotels and Resorts Group consolidated its ownership by completing the acquisition of the remaining 80% stake in Fairmont Hotels and Raffles Suites and Residences from Kingdom Hotels, Inc.

In 2013, the Hotels and Resorts Group signed an agreement with Asian Conservation Company to acquire its 40% stake in El Nido Resorts.

SERVICES

Its support businesses include construction of Ayala Land and third-party projects, hotels development and management, property management, chilled water supply and retail of electricity.

Construction

A wholly-owned subsidiary of Ayala Land, MDC is engaged in engineering, design and construction of vertical and horizontal developments including roads, bridges and utilities. MDC is responsible for horizontal construction works at Ayala Land's land developments and is likewise engaged in private industrial and government infrastructure projects. MDC also developed residential condominium buildings and mall projects. It continued to service site development requirements of Ayala-related projects while it provided services to third-parties in both private and public sectors. MDC collaborated with First Balfour, Inc. to build the state-of-the-art 600-bed St. Luke's Medical Center at BGC, which was completed in November 2009 and was opened to the public in January 2010.

MDC's outstanding workmanship was demonstrated by the Leadership in Energy and Environmental Design (LEED) Gold Certification by the U.S. Green Building Council for the design and construction of the US Embassy expansion project in Manila – the first for a non-American contractor.

As of end December 2013, MDC had a total of 155 projects worth ₱72 billion in outstanding construction contracts.

MDC Build Plus was likewise formed, a 100% subsidiary of MDC, which will cater primarily to projects focusing on the lower end of the base of the pyramid, particularly the residential brands Amaia and BellaVita.

Property Management

APMC, a wholly-owned subsidiary of Ayala Land, is engaged in property management, principally for Ayala Land and its subsidiaries. It also provided its services to third-party clients.

APMC guarantees worry-free ownership and helps property owners over the long haul in such areas as water, power and telecommunications, security, sustainable design and best practices aligned with green buildings, and assistance in managing the properties of owners living elsewhere. It offers a full suite of services not only to Ayala property owners and lessees but also to third party clients, including a centralized 24/7 concierge service as well as manages third party-carparks and is considered one of the largest third party carpark operators in the country today. Among its key third-party clients are the Makati Medical Center, Philippine Heart Center, Exim 2, Dusit Carpark and ABS-CBN. As of December 2013, APMC has 268 total managed facilities and has ₱1.9 billion in outstanding property management contracts.

International

Outside of the Philippines, Ayala Land is leveraging its current competencies to pursue attractive real estate investment opportunities.

The year 2007 marked the establishment and operation of ARCH Capital and its first Asian property fund, ARCH Capital Asian Partners LP. ARCH Capital Asian Partners is a private equity fund set up to pursue investments in Asian property markets which are in strong growth phases such as China, India and Thailand. The fund has several seeded investments and a number of projects that are moving actively. Among these are significant interests in a middle market residential community development project in Macau, a scaled medium-rise condominium project in Samut Prakarn province, Bangkok, and a high-end condominium project on Rama IV in the heart of Bangkok-Sathorn CBD. The fund's project management team, with its strong residential community development experience and the depth and support of Ayala personnel, has been actively involved in project design and planning stages for these projects.

First Longfield Investments Limited (incorporated in 2006) is wholly-owned by Ayala Land. Through Green Horizons Holdings Limited, it has a 17% stake in Arch Capital Management Co. Ltd, the fund management company established to handle the Asian private real estate equity fund which is co-sponsored by Ayala Land with Ayala Corporation.

In a disclosure to the SEC, PSE and PDEx dated March 7, 2011, Ayala Land, Ayala Corporation and The Rohatyn Group ("TRG"), an emerging markets-focused private investment firm, completed an exchange of ownership interests in ARCH Capital Management Co., Ltd ("ARCH Capital") and ARCH Capital Asian Partners, G.P. (a Cayman Islands company).

Ayala Land and Ayala Corporation, as sponsors of ARCH Capital, co-founded the investment management firm in 2006 together with Richard Yue. The exchange of ownership interest will result in TRG acquiring Ayala Land's 17% stake and Ayala Corporation's 33% interest, with Richard Yue retaining his current 50% interest in ARCH Capital. The completed exchange of ownership interests will leave the activities, management, focus, and shareholder structure of the ARCH Capital Fund unchanged, with Ayala Land retaining its current 8% stake in the Arch Capital Fund. Arch Capital Fund has existing projects in India, Thailand and China.

In another disclosure to SEC, PSE and PDEx dated August 3, 2010, the Company's wholly-owned subsidiary Regent Wise Investments Limited and Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. ("SSTEC") have signed an Equity Joint Venture Agreement for the development of a 9.78 hectare residential project in China. The project will be located in Tianjin Eco-City ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase the future direction of urban planning and sustainable development.

The Company is currently developing residential units as part of the planned more than 1,100 units within a 19-tower residential complex which will be located at the gateway of the Eco-City's Start-Up Area. The project is ideally located and will be among the first developments that visitors will see when they enter the Eco-City. The project which will be comprised of 11 towers is expected to cost approximately US$110 million. This residential project is expected to be completed by 4Q2014.

Other Revenue

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

Contributions to Revenue

The table below illustrates the amounts of revenue, profitability, and identifiable assets attributable to domestic and foreign operations for the years ended December 31, 2013, 2012 and 2011: (in ₱'000)

	2013	2012	2011
Consolidated revenues			
Domestic	81,523,070	59,932,162	47,667,610
Foreign	-	-	-
Net operating income			
Domestic	29,683,884	22,906,452	17,676,492
Foreign	-	-	-
Net income *(Attributable to equity holders of Ayala Land)*			
Domestic	11,741,764	9,038,328	7,140,308
Foreign	-	-	-
Total assets			
Domestic	325,473,685	254,115,680	166,398,998
Foreign	-	-	-

Residential development business contributed 52% of 2013 consolidated revenues. The residential business includes development and sale of high-end lots and units, leisure properties, middle-income, affordable and economic housing and socialized housing.

Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets over the past three years

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.

With 8,453 hectares of developable area in its landbank as of December 31, 2013, ALI believes that it has sufficient properties for development in next 20 to 25 years given its rapid pace of expansion.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In March 31, 2008, Ayala Land completed the sale of 100% of its equity shareholdings in three wholly-owned subsidiaries to Megaworld Corporation. The subsidiaries jointly own and operate a public parking facility in Ayala North, Makati CBD. The properties are considered non-strategic assets.

In a disclosure to the SEC dated August 27, 2009, ALI and the 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 last October 3, 2008.

ALI's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the NEDA Joint Venture Guidelines, features the development of a new CBD in Quezon City. The CBD will be developed as the Philippines' first transit-oriented mixed-use CBD 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 will also generate jobs and revenues both for both local and national governments.

ALI's vision for the North Triangle 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 ₱65 billion, inclusive of future development costs and the current value of the property, which ALI and the NHA will contribute as their respective equity share in the joint venture. ALI expects to start development within two years.

In March 2010, Ayala Land signed a 35-year lease agreement with the Pison group for a 2-hectare property in Iloilo City that will be used for the development of BPO buildings.

In April 2010, the Company through wholly-owned subsidiary Amaia signed a joint-development agreement ("JDA") with Eton Properties Inc. for the development of a 4-hectare property in Calamba, Laguna that will form part of Amaia Scapes in Laguna. In addition, Avida also signed a JDA with the Philippine National Bank for the development of a 2.3-hectare property along EDSA corner Reliance and Mayflower Sts. in Mandaluyong City into a residential complex.

As reported in the SEC Form 17-Q dated November 9, 2010, the Company announced a 30-year lease contract agreement signed with Ellimac Prime Holdings (Puregold and S&R Stores Group) for the development of a 6-hectare property in Fairview, Quezon City.

In a disclosure to the SEC, PSE, and PDEx dated 10 February 2011, the Board of Regents of the University of the Philippines (U.P.) awarded to the Company the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as the U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The Company signed a 25-year lease contract for the property, with an option to renew said lease for another 25 years by mutual agreement.

The project will involve the construction of a retail establishment with 63,000 sqm of available gross leasable area (GLA) and a combination of headquarter-and-BPO-office type building with an estimated 8,000 sqm of GLA.

In a disclosure to the SEC, PSE and Philippine Dealing & Exchange Corporation dated March 7, 2011, Ayala Land, Ayala Corporation and The Rohatyn Group ("TRG"), an emerging markets-focused private investment firm, completed an exchange of ownership interests in ARCH Capital Management Co., Ltd ("ARCH Capital") and ARCH Capital Asian Partners, G.P. (a Cayman Islands company).

Ayala Land and Ayala Corporation, as sponsors of ARCH Capital, co-founded the investment management firm in 2006 together with Richard Yue. The exchange of ownership interest will result in TRG acquiring Ayala Land's 17% stake and Ayala Corporation's 33% interest, with Richard Yue retaining his current 50% interest in ARCH Capital. The completed exchange of ownership interests will leave the activities, management, focus, and shareholder structure of the ARCH Capital Fund unchanged, with Ayala Land retaining its current 8% stake in the Arch Capital Fund. Arch Capital Fund has existing projects in India, Thailand and China.

In another disclosure dated February 25, 2011, the Company and its subsidiary, Alveo Land Corp., have also entered into an agreement with Philippine Racing Club, Inc. to jointly pursue the development of the 21-hectare property located in Barangay Carmona, Makati City, more commonly known as the former "Sta. Ana Racetrack", subject to the fulfillment of certain closing conditions agreed upon by the parties. The project is intended as a mixed-use development consisting of residential, retail, and office components and will form part of the Company's ongoing developments in the City of Makati.

Last July 2011, the Provincial Government of Negros Occidental ("PGNO") and Ayala Land Inc. have completed successful negotiations for the development of the PGNO's 7.7 hectare property located in San Juan St., North Capitol Road, Bacolod City (the "Provincial Capitol Property"). An investment of approximately ₱6.0 billion is estimated by Ayala Land for the planning and construction of an integrated mixed-use civic and commercial district that will combine the center of government with commercial and residential uses, making the growth center of Metro Bacolod and Negros Occidental – the Capitol Civic Center – a one of a kind convergence of business community and government.

In our disclosure dated 17 September 2012, we reiterated that the deed of sale and contract of lease for the Bacolod property require COA approval for the transaction to proceed.

In our disclosure dated 09 July 2013, we clarified that Gov. Maranon wrote a letter addressed to Ayala Land dated 20 June 2013, informing the Company of the Commission on Audit's (COA's) decision to approve the Deed of Conditional Sale and render a favorable ruling on the Contract of Lease between the Province and Ayala Land, Inc. In response to Gov. Maranon's letter, the Company clarified that is now open to proceed with discussions on the Bacolod Capitol project but remain concerned with the pending legal case on the said property as this may compromise Ayala Land's long-term development plans for the property and the Province of Negros as a whole.

On November 2011, BellaVita Land Corp. (formerly South Maya Ventures, Corp.), a subsidiary of Ayala Land, Inc., operating under the brand name BellaVita – the Company's 5th residential brand – launched its first residential subdivision project in December 2011 in a 13.6-hectare property in General Trias, Cavite. The site is highly accessible from different routes and is strategically located at the center of schools, places of work, public transportation terminals and commercial destinations.

Phase 1 of the project will involve the development of 602 residential units within a 5.4-hectare parcel of land inside the property. Lot sizes will range from 34-65 sqm with a floor area of 21-23 sqm. Average prices are between ₽400,000.00 to ₽650,000.00 per unit. The project will have an estimated project cost of ₽250 million and is expected to be completed by 2013.

On November 23, 2011, the Company and Mitsubishi Corporation ("MC") of Japan announced that they have formalized a partnership to jointly engage in operations that will promote increased energy efficiency in the Philippines. The initiatives of the joint-venture partnership will be conducted through Philippine Integrated Energy Solutions, Inc. (PhilEnergy), which will be owned 60% by ALI and 40% by MC.

In 2011, Philenergy has already allocated an investment of close to a billion pesos for the construction two DCS plants which will serve the needs of the Ayala Center redevelopment in Makati and the Alabang Town Center. The Company is currently planning other DCS projects in Cebu, Davao, Cagayan de Oro, and Quezon City and will also tap into the large domestic and even regional market of facilities that require energy-saving solutions.

In a further disclosure to the SEC, Ayala Land signed a Joint Venture Agreement with Alsons Development and Investment Corporation (ALDEVINCO) for 25-hectare property in Lanang, Davao to be developed into a mixed-use, fully-integrated community.

In August 2012, the Group won the public bidding for the purchase of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig. 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. The Group's bid was ₽24.3 billion.

In October 2012, the Company entered into a Purchase Agreement wherein the Seller (FTI) agrees to sell, convey, assign and transfer and deliver to the buyer, and the buyer agrees to purchase and acquire from the seller, all of the seller's rights and interests in the property. The property is designed to be a mixed-use development and will be transformed into a new business district that will serve as Metro Manila's gateway to the South.

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 for the Fairmont Hotel and Raffles Suites and Residences project in Makati which opened last December 2012. A total of ₱2,430.4 million was paid to acquire the interests of KHI in AMHRI and AMHPI.

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.

APPCo owns BPO buildings in Makati, Quezon City and Laguna, with a total leasable area of approximately 230,000 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.

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.

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.

Various Diversification/new product lines introduced by the Company during the last three years

In 2010, Ayala Land entered into the economic housing segment with the launch of AmaiaScapes in Laguna under the Company's subsidiary Amaia Land Corp. carrying the brand Amaia. This segment is expected to provide a steady end-user demand in the long-term as one-third of the estimated 18 million Filipino households and majority of the almost four million national housing backlog units belong to this segment.

Ayala Land also ventured into eco-tourism via the partnership with the Ten Knots Group for a 60% stake in the world-famous El Nido Resorts in Palawan in 2010.

In addition, the Company also broke ground for the first of Ayala Land's owned and operated boutique businessman's hotel brand Seda (formerly Kukun) in BGC and Davao City, in addition to previously launched Seda hotels in Cagayan de Oro City and NUVALI, to pave the way for its entry into the businessman's hotel category and cater to the increasing number of business travelers into the country.

In 2011, the Company's 5th residential brand BellaVita, which will cater to the socialized housing segment, launched its first residential subdivision project in a 13.6-hectare property in General Trias, Cavite. The site is highly accessible from different routes and is strategically located at the center of schools, places of work, public transportation terminals and commercial destinations.

In addition, Philenergy has already begun official operations with the construction two district cooling system (DCS) plants which will serve the needs of the Ayala Center redevelopment in Makati and the Alabang Town Center. The Company is currently planning other DCS projects in Cebu, Davao, Cagayan de Oro, and Quezon City and will also tap into the large domestic and even regional market of facilities that require energy-saving solutions.

In 2012, the Company entered into a partnership with Store Specialists, Inc. (SSI), together with FamilyMart Co. Ltd., and Itochu Corp. of Japan, for the roll-out and operation of FamilyMart convenience stores to provide retail support to Ayala Land's mixed-use integrated developments and generate additional sources of recurring and stable income.

Distribution Methods of Products

The Company's residential products are distributed to a wide range of clients through various sales groups.

Ayala Land (parent company) has its own in-house sales team. In addition, it has a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which employs commission-based sales people. Ayala Land uses a sales force of about 15,000 brokers and sales agents guided by a strict Code of Ethics.

The OF market is being pursued through award-winning websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, leads the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI has established Marketing Offices in Northern California, specifically in Milpitas in 2012, its first branch, and quite recently last March 7, 2014, in San Francisco. Marketing Offices were also set up in Singapore in September 2013, Hong Kong last February 2014, and a Representative office in Dubai in 2013. ALISI also assumed the operations of AyalaLand International Marketing, Inc. in Italy and London. In addition, One Ayala program, which bundles the products and services of Ayala Land, BPI and Globe Telecom, gives access to potential Ayala Land clients overseas, i.e. through BPI's 17 overseas offices and 81 tie-ups. In addition, the Ayala Land-BPI Dream Deals program aims to generate additional sales from local market.

Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Amaia (economic housing), Avida (affordable housing) and Alveo (middle-income housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers.

Effective second half of 2008, residential sales support transactions of ALP, Alveo, and Avida is being undertaken by the shared services company Amicassa Process Solutions, Inc. ("APSI") put up by the Company. In 2010, Aprisa Business Solutions, Inc. (APRISA) completed its full roll-out to handle transactional accounting processes across the Ayala Land group.

Competition

Ayala Land is the only full-line real estate developer in the Philippines with a major presence in almost all sectors of the industry. Ayala Land believes that, at present, there is no other single property company that has a significant presence in all sectors of the property market. Ayala Land has different competitors in each of its principal business lines.

With respect to its mall business, Ayala Land's main competitor is SM Prime Holdings, Inc. whose focus on mall operations gives SM Prime Holdings, Inc. some edge over the Company in this line of business. Nevertheless, Ayala Land is able to effectively compete for tenants primarily based on its ability to attract customers -- which generally depends on the quality and location of its shopping centers, mix of tenants, reputation as a developer, rental rates and other charges.

For office rental properties, Ayala Land sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building), Robinsons Land (developer of Robinsons Summit Center) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). For BPO office buildings, Ayala Land competes with the likes of Megaworld and Robinsons Land. Ayala Land is able to effectively compete for tenants primarily based upon the quality and location of its buildings, reputation as a building owner, quality of support services provided by its property manager, rental and other charges.

With respect to residential lot and condominium sales, Ayala Land competes with developers such as Megaworld, DMCI Homes, Robinsons Land, and SM Development Corporation. Ayala Land is able to effectively compete for purchasers primarily on the basis of reputation, price, reliability, and the quality and location of the community in which the relevant site is located.

For the middle-income/affordable housing business, Ayala Land sees the likes of SM Development Corp, Megaworld, Filinvest Land and DMCI Homes as key competitors. Alveo and Avida are able to effectively compete for buyers based on quality and location of the project and availability of attractive in-house financing terms.

For the economic housing segment, Amaia competes with Camella Homes, DMCI Homes, Filinvest, Robinsons Land and SM Development Corporation.

Capital Expenditures (Consolidated)

As of December 31, 2013, Ayala Land spent ₱66.3 billion for project and capital expenditures, 7% less than the ₱71.3 billion spent during the same period in 2012. About 32% was spent for residential projects, 41% for land acquisition, 12% for shopping centers, 8% for offices, 2% for hotels and resorts, and the balance spent on other land development activities.

The ₱66.3 billion spent on capital expenditures for year ended December 31, 2013 represents 95% of the full year budget of ₱70 billion for 2014. The Company will adjust its budgeted project and capital expenditure and funding programs in response to competition as well as prevailing and anticipated economic conditions.

Subsidiaries and Affiliates

As of December 31, 2013, there are several companies which are either subsidiaries or affiliates of Ayala Land. Certain details and the percentage of ownership held by Ayala Land of each of these companies are described below:

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
CORE BUSINESS			
Property Development			
Alveo Land Corp. (formerly Community Innovations, Inc.)	September 29, 1995	100	

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
Serendra, Inc.	June 7, 1994	28	39
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	March 5, 2011		65
BG South Properties, Inc. (BGS)	August 10, 2011		50
Avida Land Corp.	October 30, 1990	100	
Buklod Bahayan Realty and Development Corp.	November 5, 1996		100
Avida Sales Corp.	December 22, 2008		100
Amicassa Process Solutions, Inc.	June 2, 2008		100
Avencosouth Corp. (Avencosouth)	April 26, 2012		70
BG North Properties, Inc. (BGN)	August 5, 2011		50
Amaia Land Corp. (formerly First Communities Realty, Inc.)	May 29, 2000	100	
BellaVita Land Corp. (formerly South Maya Ventures Corp.),	March 21, 1995	100	
Roxas Land Corporation (RLC)	March 16, 1996	50.0	
Amorsedia Development Corporation	March 6, 1996	100	
OLC Development Corporation	June 28, 1996		100
Ayala Greenfield Development Corp.	July 17, 1997		50
HLC Development Corporation	June 28, 1996		100
Allysonia International Ltd.	February 18, 2000		100
Ayala Land Sales, Inc.	March 6, 2002	100	
Ayala Land International Sales, Inc. (ALISI)	March 29, 2005	100	
Ayalaland International Marketing, Inc. (AIMI)	February 28, 2012		100
Nuevo Centro, Inc.	April 15, 2011	100	
BG West Properties, Inc.	August 5, 2011	50	
Aurora Properties Incorporated	December 3, 1992	78	
Vesta Property Holdings, Inc.	October 22,1993	70	
Ceci Realty, Inc.	August 22, 1974	60	
Regent Time International Limited	March 28, 2003	100	
Bonifacio Land Corporation	October 20, 1994		5
Fort Bonifacio Development Corp.	February 7, 1995		55
Buendia Landholdings, Inc.	October 27, 1995	100	
Red Creek Properties, Inc.	October 17, 1994	100	
Crimson Field Enterprises, Inc.	October 26, 1995	100	
Crans Montana Property Holdings Corp	December 28, 2004	100	
Ecoholdings Company, Inc.	September 25, 2008	100	
Shopping Centers			
NorthBeacon Commercial Corporation	August 13, 1970	100.0	
Station Square East Commercial Corporation (SSECC)	March 17, 1989	69	
Accendo Commercial Corp.	December 17, 2007	67	
Avencosouth Corp.	April 26, 2012		30
ALI-CII Development Corporation	August 6, 1997	50	
Alabang Commercial Corporation	June 28, 1978	100	
South Innovative Theater Management, Inc.	February 2, 2001		100
North Triangle Depot Commercial Corporation (NTDCC)	March 20, 2001	49	
Primavera Towncentre, Inc. (PTI)	December 18, 2009	100	
Subic Bay Town Centre, Inc.	March 9, 2010	100	
Ayala Theatres Management, Inc.	August 10, 1984	100	

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
Five Star Cinema, Inc.	December 18, 2000	100	
Leisure and Allied Industries Phils., Inc.	October 10, 1997	50	
Cagayan de Oro Gateway Corp. (CDOGC)	March 3, 2010	70	
Arvo Commercial Corporation	June 23, 2011	100	
Cavite Commercial Town Center, Inc.	July 31, 2009	100	
Corporate Business			
Laguna Technopark, Inc.	November 15, 1990	75	
Ecozone Power Mgt. Inc.	August 20, 2010		100
Asian I-Office Properties, Inc. (AiO)	September 24, 2007		100
ALI Property Partners Corp. (APPCo)	July 26, 2006	100	
One Dela Rosa Prop. Devt. Inc.	September 4, 2006		100
First Gateway Real Estate Corp.	September 4, 2006		100
Glensworth Development, Inc. (Glensworth)	August 23, 2007		100
UP North Property Holdings, Inc.	March 26, 2007		100
Fairview Prime Commercial Corp.	August 24, 2007	100	
Sunnyfield E-Office Corporation	July 7, 2008	100	
Asterion Technopod, Inc.	July 8, 2008	100	
Westview Commercial Ventures Corp	July 8, 2008	100	
Summerhill E-Office Corporation	July 7, 2008	100	
Hillsford Property Corp.	August 24, 2007	100	
Hotels and Resorts			
Ayala Hotels, Inc.	April 11, 1991	50	
AyalaLand Hotels and Resorts Corporation (AHRC)	September 21, 2010	100	
Enjay Hotels, Inc.	July 12, 1990		100
Cebu Insular Hotel Company, Inc.	April 6, 1995		63
Greenhaven Property Venture, Inc.	July 9, 2008		100
Bonifacio Hotel Ventures, Inc.	October 13, 2010		100
Southcrest Hotel Ventures, Inc.	October 18, 2010		67
Northgate Hotel Ventures, Inc.	October 18, 2010		70
North Triangle Hotel Ventures, Inc.	October 18, 2010		100
EcoSouth Hotel Ventures, Inc.	May 19, 2011		100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (AMHRI)	January 30, 2007	20	80
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (AMHPI)	August 13, 2007	20	80
Ten Knots Philippines, Inc. (TKPI)	November 22, 1979	60	
Bacuit Bay Development Corporation	April 28, 1997		100
Ten Knots Development Corporation (TKDC)	August 22, 1992	60	
Chirica Resorts Corp.	September 25, 2009		100
Visayas Mindanao			
Cebu Holdings, Inc. (CHI)	December 9, 1988	50	
Cebu Property Ventures & Development Corp. (CPVDC)	August 2, 1990	7.8	76
Asian I-Office, Inc.			40
Cebu Leisure Company, Inc.	January 31, 1994		100
CBP Theatre Management Inc.	February 1, 1994		100

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
Cebu Insular Hotel Company, Inc.	April 6, 1995		37
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	March 5, 2011		35
Adauge Commercial Corporation (Adauge)	September 5, 2012	87	
International			
First Longfield Investments Limited	October 23, 2006	100	
Green Horizons Holdings Limited	October 25, 2006		100
Regent Wise Investments Limited	May 12, 2010	100	
Tianjin Eco City Ayala Land Development Co., Ltd.	November 17, 2010		40
SUPPORT BUSINESS			
Construction			
Makati Development Corporation	August 15, 1974	100	
MDC - Build Plus, Inc.	October 17, 2011		100
MDC – Subic	June 28, 2010		100
Property Management			
Ayala Property Management Corporation (APMC)	August 8, 1977	100	
OTHERS			
Emerging City Holdings, Inc.	July 19, 2002	50	
Berkshires Holdings, Inc.	December 4, 2002	50	
Bonifacio Land Corp.	October 20, 1994	5	
Lagoon Development Corporation	August 30, 1996	30	
AyalaLand Commercial REIT, Inc.	September 30, 2010	100	
Aprisa Business Process Solutions, Inc.	September 21, 2010	100	
Philippine Integrated Energy Solutions, Inc.	September 21, 2010	60	
DirectPower Services, Inc.	September 14, 2011	100	
ALInet.com, Inc.	May 5, 2000	100	
CMPI Holdings, Inc.	May 30, 1997	60	
CMPI Land, Inc.	March 27, 1998		60
Varejo Corp. (Varejo)	June 25, 2012	100	
SIAL Specialty Retailers, Inc.	September 27, 2012		50
SIAL CVS Retailers, Inc.	September 27, 2012		50
Philippine FamilyMart CVS, Inc.			60
Southgateway Development Corp. (SDC)	October 19, 2012	100	
Ayalaland MetroNorth, Inc. (AMNI)	November 29, 2012	100	
Solerte Corp.	February 12, 2013	100	
Mercado General Hospital, Inc.	February 7, 1995		33
AyaGold Retailers, Inc.	October 2, 2013		50
Rize-AyalaLand (Kingsway) GP, Inc.	January 25, 2013		49

A conglomerate map which provides a complete list of the Ayala Land subsidiaries, associates, and joint ventures is included in the *"Supplemental Information"* section of this Prospectus.

Residential Development

Alveo Land Corp., 100% owned by Ayala Land, offers various residential products to the middle-income market. Alveo's projects over the past three years include Verdana Homes Mamplasan, Verdana Village Center, MarQuee, Treveia NUVALI, Celadon Residences, Celadon Park, The Columns at Ayala Avenue, The Columns at Legazpi Village, Senta and Ametta Place in Pasig.

Avida Land Corp., a 100%-owned subsidiary, continued to develop affordable housing projects which offer house-and lot packages and residential lots. Avida also ventured into the development and sale of residential condominiums. Project launches in the past three years included Avida Towers Sucat, Avida Towers New Manila, Avida Towers San Lazaro, Avida Towers Makati West, Avida Settings NUVALI, Avida Residences San Fernando, Avida Residences Sta. Cecilia, and Riego de Dios Village.

Amaia Land Corp., formerly a subsidiary of Avida is now a wholly owned subsidiary of Ayala Land, was established to pursue a planned expansion of residential development operations to cater to the country's economic housing segment.

BellaVita Land Corp. (formerly South Maya Ventures Corp.), wholly-owned subsidiary of Ayala Land, aims 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.

Serendra, Inc., 28%-owned by ALI and 39%-owned by Alveo, is engaged in residential development. In 2004, it launched Serendra, a residential complex at the BGC in Taguig.

Solinea (formerly Bigfoot Palms, Inc.), a landholding entity, was acquired on March 05, 2011 through Alveo Land Corporation through acquisition of 65% shares of stock. The remaining 35% was acquired by Cebu Holdings, Inc., an associate of the Group.

Roxas Land Corp., 50% owned, sold-out One Roxas Triangle in 2007. The project was started in 1996 and was completed in September 2001.

Ayala Greenfield Development Corporation ("AGDC"), 50-50% owned by Ayala Land and Greenfield Development Corporation, started development of Ayala Greenfield Estates in Calamba, Laguna in 1999. Over the past twelve years, AGDC continued to develop and sell lots in this high-end residential subdivision.

Nuevo Centro, Inc., a wholly-owned subsidiary of Ayala Land, was established primarily to acquire and hold real estate properties for the purpose of developing them into large-scale, mixed-used and masterplanned communities.

BG West Properties, Inc., BG South Properties, Inc. and *BG North Properties, Inc.* were incorporated to engage in the development of high-end, middle-end and affordable residential and retail projects, respectively, in Bonifacio Global City.

Avencosouth was incorporated in the Philippines and is currently engaged in condominium development operations. The Company holds 90% indirect interest in Avencosouth as of December 31, 2012. 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 with the SEC 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.

Strategic Landbank Management

Aurora Properties, Incorporated and *Vesta Property Holdings, Inc.*and Ceci Realty, Inc. (incorporated in 1974) are owned by Ayala Land 78%, 70% and 60%, respectively. These companies, joint ventures with the Yulo Family, finalized plans for the development of nearly 1,700 hectares of land in Canlubang, Laguna.

Emerging City Holdings, Inc. and *Berkshires Holdings, Inc.*, both 50% owned, served as Ayala Land's corporate vehicles in the acquisition of a controlling stake in Bonifacio Land Corp. / Fort Bonifacio Development Corp. ("FBDC") through Columbus Holdings, Inc. in 2003. FBDC continues to sell commercial lots and condominium units at the BGC while it leases out retail spaces.

Regent Time International Limited, 100% owned by Ayala Land, also owns a stake at Bonifacio Land Corp. / Fort Bonifacio Development Corp.

Shopping Centers

NorthBeacon Commercial Corporation – formerly Alabang Theatres Management Corporation, is Ayala Land's wholly-owned vehicle for its MarQuee Mall in Pampanga, which commenced development in March 2007 and began operations in September 2009.

Station Square East Commercial Corporation, 69% owned subsidiary of Ayala Land, broke ground in 2002 for Market! Market!, a 150,000-sqm mall along C-5 Road in Taguig. It opened Phase 1A of the mall in 2004 and Phase 1B in 2005.

Accendo Commercial Corp., with a 67% stake, ALI entered into a joint venture agreement with Anflo Group to develop a mixed-use project in Davao City.

ALI-CII Development Corporation, a 50-50% joint venture with Concepcion Industries, continued to operate Metro Point, a mid-market mall at the corner of EDSA and Taft Avenue, which was completed in the fourth quarter of 2001.

Alabang Commercial Corporation, 50% owned by Ayala Land, continued to manage and operate the Alabang Town Center.

North Triangle Depot Commercial Corporation, 49% owned by Ayala Land, commenced development of TriNoma (formerly referred to as North Triangle Commercial Center), a 191,000-sqm mall constructed at the main depot of MRT-3 in Quezon City. TriNoma broke ground in June 2005 and began operations in May 2007.

Primavera Town Centre, Inc, 100% wholly-owned subsidiary, was also formed to handle the planning, development and management of small-format retail facilities known as "neighborhood centers" within the Company's existing and planned growth centers across the country.

Subic Bay Town Centre, Inc., 100% owned by Ayala Land, was incorporated on March 9, 2010 for the planning, development management of a mall to be located in Subic Bay Freeport Zone.

Ayala Theaters Management, Inc., 100% owned, continued to manage and operate theaters at the Ayala Center in Makati.

Five Star Cinema, Inc., also wholly-owned, continued to manage and operate theaters at the Alabang Town Center.

Leisure and Allied Industries Phils., Inc., a 50-50% joint venture of Ayala Land with Australian company, LAI Asia Pte. Ltd., continued to operate family entertainment centers called TimeZone in various Ayala malls, as well as other malls.

Cagayan De Oro Gateway Corp. was established to pursue a mixed-use development with a 47,000 sqm 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.

Arvo Commercial Corporation (ACC), a wholly owned subsidiary of the Ayala Land, was established primarily to develop and operate shopping malls within the ALI identified growth areas across the country.

Corporate Business

Laguna Technopark, Inc., 75% owned, continued to sell industrial lots to local and foreign company locators. It also leases ready-built factory units within the Laguna Technopark.

Asian I-Office Properties, Inc - In 2008, the Company was invited by CPVDC, an ALI subsidiary, to be a partner in the Asian i-Office Properties, Inc. ("AiO") for a 60% stake. It manages and operates two BPO buildings located in the Asiatown IT Park in Cebu (eBloc and Peak Building A). In 2013, Ayala Land sold its 60% interest in Asian I-Office Properties, Inc. to Cebu Property Ventures and Development Corporation.

ALI Property Partners Corp., is the Company's 100%-owned vehicle in partnership with MLT Investments (Goldman Sachs) which handle various BPO projects and investments.

Gisborne Property Holdings, Inc., Sunnyfield E-Office Corporation, Asterion Technopod, Inc., Crestview E-Office Corporation, Summerhill E-Office Corporation and Hillsford Property Corp. are wholly-owned entities established to handle, develop and manage all future BPO buildings located at various growth centers within the Philippines.

Hotels and Resorts

Ayala Hotels, Inc., 50% owned, currently manages hotel land lease operations.

AHRC, a wholly-owned subsidiary of Ayala Land which will serve as a holding company for the Group's hotels and resorts operations.

Ten Knots Philippines, Inc. and Ten Knots Development Corporation (The Ten Knots Group), 60% owned by Ayala Land in partnership with Asian Conservation Company Inc. In 2013, the

Hotels and Resorts Group signed an agreement with Asian Conservation Company to acquire its 40% stake in El Nido Resorts.

Greenhaven Property Venture, Inc., 100% owned by Ayala Land through AHRC established to plan, develop and manage the hotel being constructed in Glorietta 1 as part of the Ayala Center redevelopment project.

Visayas-Mindanao

Cebu Holdings, Inc.,50% owned by Ayala Land, continued to manage and operate the Ayala Center Cebu and sell condominium units and lots within the Cebu Business Park. The company also launched Amara, a high-end seaside residential subdivision, and continued to sell club shares at City Sports Club Cebu. Through Cebu Property Ventures Development Corporation, CHI also continued to sell lots at the Asiatown IT Park.

Adauge, an 87% 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.

International

First Longfield Investments Limited is wholly-owned by Ayala Land. On March 7, 2011, ALI, Ayala Corp and The Rohatyn Group 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. The exchange in ownership interest resulted in TRG acquiring ALI's 17% stake and Ayala Corp'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

Regent Wise Investments Limited (Regent Wise), a wholly-owned subsidiary of Ayala Land, formed to enter into an Equity Joint Venture with Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd for the development of a 9.78 hectare residential project in China. The project will be located in Tianjin Eco-city ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase future direction of urban planning and sustainable development.

Construction

Makati Development Corporation, 100% owned by Ayala Land, continued to engage in engineering, design and construction of horizontal and low-rise vertical developments. It continued to service site development requirements of Ayala related projects while it provided services to third-parties in both private and public sectors.

MDC Build Plus was formed to cater primarily to projects focusing on the lower end of the base of the pyramid, particularly the residential brands Amaia and BellaVita.

Property Management

Ayala Property Management Corporation, 100%-owned by Ayala Land, continued to manage properties of Ayala Land and its subsidiaries. It also provided its services to third-party clients.

Others

AyalaLand Commercial REIT, Inc., a wholly-owned subsidiary of Ayala Land was formed in September as a vehicle through which Ayala Land will own and operate select investment properties and which Ayala Land intends to undertake an IPO under Republic Act No. 9856 or the Philippines Real Estate Investment Trust ("REIT") Law. Said investment properties shall include prime shopping center and office assets currently owned by the Company which are mature, have recurring income streams and have achieved stable occupancy rates.

Aprisa Business Solutions, Inc., a wholly-owned subsidiary of Ayala Land that will initially manage transactional accounting services.

Philippine Integrated Energy Solutions, Inc., a 60% owned subsidiary of Ayala Land established for the supply and operations of a district cooling system, performance contracting by introducing various energy solutions and bulk purchase of electricity.

DirectPower Services, Inc., (DirectPower), a wholly owned subsidiary of the ALI, was formed to engage in the bulk purchase and supply of electricity and to introduce various energy solutions.

Varejo, a wholly-owned subsidiary of the Company, was incorporated with the Securities and Exchange Commission (SEC) on June 25, 2012. It is the holding company of the Company for its 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.

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

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

Solerte, Corp., a wholly-owned subsidiary of the Company, was incorporated this year as a shared-service entity to provide manpower services to the Ayala Malls Group.

Whiteknight Holdings, Inc. (WHI), was registered with the Securities and Exchange Commission on May 14, 2013. Ayala Land, Inc. entered into an agreement with the Mercado Family to acquire WHI in July 2013, thereby becoming a wholly-owned subsidiary of ALI. WHI owns a 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. and DMMC - Institute of Health Sciences, Inc. Ayala Land will enhance its communities with the introduction of healthcare facilities in its township projects under the QualiMed brand.

Suppliers

The Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients. The Company does not have a customer that will account for twenty percent (20%) or more of its revenues.

Research and Development

While the Company engages in research and development activities, the expenses incurred in connection with these activities are not material.

Employees

Ayala Land has a total workforce of 492 regular employees as of December 31, 2013.

The breakdown of the ALI - Parent Company employees according to category is as follows:

Executive	24
Managers	205
Supervisors	77
Rank & File	186
Total	**492**

ALI continues to implement programs to promote the engagement of its employees. With the growth of the business, new learning opportunities arise as well as new career opportunities are created for employees

The Company has embarked on a robust leadership development and talent management program for leaders at the frontline, middle management and senior levels. It has put together and rolled out a New Managers course which highlight ALI's operating principles and equip managers with tools to become even more effective and engaging leaders. Middle and senior managers (AVPs up) attend specific corporate-wide leadership programs facilitated by Harvard Business School.

As part of ALI's continuing thrust to promote integrity and transparency in the conduct of its business, employees filed their Annual Business Interests and Related Party Disclosure forms with the Human Resources Division (HRD) during the first quarter of 2013.

Intellectual Property and Licenses

Intellectual Property

The Company has been licensed by Ayala Corporation, as the owner of the brand and business name "Ayala", to use the name "Ayala" in all of the Company's current projects which carries the said brand. The Company is required to obtain the consent and approval of Ayala Corporation for future projects which will carry the brand.

Ayala Land (by itself or through its subsidiaries) has secured registrations for its major brands ALP, Alveo, Avida, Amaia, BellaVita, and Ayala Malls. As a matter of policy, the Company and its subsidiaries also apply for, obtain and maintain trade name registrations for its various developments, projects and events.

In the Philippines, certificates of registration of a trademark filed with the Philippine Intellectual Property Office prior to the effective date of the Philippine Intellectual Property Code in 1998 are generally effective for a period of 20 years from the date of the certificate, while those filed after the Philippine Intellectual Property Code became effective are generally effective for a shorter period of ten (10) years, unless terminated earlier.

Licenses

Phenix Building System. A joint venture agreement between Maison Individuelles, S.A. (“MISA”) of France and Avida was organized in June 1998 and subsequently registered with the SEC as Laguna Phenix Structures Corporation (“LPSC”) in July 1999.

LPSC, a 50%-50% joint venture, is primarily engaged in the business of manufacturing, installation, erection and construction, marketing and promotion, and wholesaling of buildings, houses and other structures and accessories using the “Phenix” technology (for which a patent has been registered and issued in the Philippines under RP Patent No. 29862). Both MISA and Avida assigned their respective license rights to LPSC since the latter’s incorporation.

Regulation

Presidential Decree No. 957, as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. Presidential Decree No. 957 covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes, and condominium projects for primarily residential purposes. The Housing and Land Use Regulatory Board (“HLURB”) is the administrative agency of the Government which enforces this decree and has jurisdiction to regulate the real estate trade and business.

In this regard, all subdivision plans and condominium project plans of ALI are required to be filed with and approved by the HLURB. Approval of such plans is conditional on, among other things, ALI’s financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the relevant local government unit. ALI, as owner of and dealer in real estate projects, is required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Dealers, brokers and salesmen of real estate projects of ALI are also required to register with the Philippine Regulatory Commission. Project permits and licenses to sell may be suspended, cancelled or revoked by the HLURB by itself or upon complaint from an interested party. ALI has been able to maintain these permits and licenses.

Under current regulations, ALI as developer of residential subdivisions is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. On the other hand, as a developer of commercial subdivisions, ALI is required to reserve at least 3.5% of the gross project area for parks or playgrounds. ALI has been compliant with these requirements.

Under the agrarian reform law and the regulations issued thereunder by the Department of Agrarian Reform (“DAR”), land classified for agricultural purposes as of or after June 15, 1988, cannot be converted to non-agricultural use without the prior approval of DAR. Republic Act No. 9700, the law extending the term of the comprehensive agrarian reform program for another five (5) years, was signed by President Arroyo on August 7, 2009. Prior to undertaking any development of agricultural lands, ALI obtains the necessary conversion as approved by the DAR.

While the 1987 Philippine Constitution prohibits foreigners from owning land, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. To the extent of the foregoing, ALI's foreign market for real estate projects is limited

Republic Act No. 7279 requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 20% of the total subdivision area or total subdivision project cost, at the option of the developer, within the same city or municipality, whenever feasible, and in accordance with the standards set by the HLURB. ALI has been compliant with this requirement in accordance with the rules and regulations implementing Republic Act No. 7279.

Construction

The construction industry in the Philippines is subject to regulation by the Government as described below.

Licenses. A regular contractor's license is required to be obtained from the Philippine Contractors Accreditation Board ("PCAB"). In applying for and granting such license, the PCAB takes into consideration the applicant-contractor's qualifications and compliance with certain minimum requirements in the following criteria: (i) financial capacity, (ii) equipment capacity, (iii) experience of firm, and (iv) experience of technical personnel. Philippine laws also require a contractor to secure construction permits and environmental clearances from appropriate Government agencies prior to actually undertaking each project. MDC is duly accredited by the PCAB as a licensed contractor and maintains all required qualifications in compliance with the PCAB's requirements.

Minimum Philippine Ownership Requirement. Under Philippine law, in order to bid on publicly funded Government contracts, a contractor must be at least 75% owned by Philippine nationals. For purposes of this determination, Ayala Land has maintained at least 60% ownership by Philippine nationals, to be considered owned by a Philippine National for purposes of the foregoing determination with respect to MDC.

Property Laws

Land Registration

The Philippines has adopted a system of land registration which conclusively confirms land ownership which is binding on all persons, including the Government. Once registered, title to registered land can no longer be challenged except with respect to claims annotated on the certificate of title. Title to registered lands cannot be lost through adverse possession or prescription.

Unregistered land may be brought under the system if, after proper surveying, application, publication, service of notice and hearing, the Regional Trial Court within whose jurisdiction the land is situated confirms title to the land. Persons opposing the registration may appeal the judgment within 15 days to the Court of Appeals. After the lapse of the period of appeal, the Registry of Deeds may issue an Original Certificate of Title. The decree of registration may be annulled on the ground of actual fraud within one year from the date of entry of the decree of registration.

Any subsequent transfer or encumbrance of the land must be registered in the system in order to bind third persons. Subsequent registration and issuance of a new title in the name of the transferee will be granted upon presentation of certain documents and payment of fees and taxes.

In accordance with the said system of land registration, ALI ensures that all properties held or developed are properly covered by valid and subsisting certificates of title.

Zoning

Land use may be limited by zoning ordinances enacted by provinces, cities or municipalities. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. All developments of ALI comply with the applicable zoning classification.

Subdivisions and Condominiums

All subdivision lots and condominium plans for residential, commercial, industrial and other development projects are subject to approval by the local government unit in which the project is situated. The development of subdivision lots and condominium projects can commence only after the local government unit has issued the development permit.

The issuance of a development permit is dependent on compliance with required project standards and technical requirements which may differ depending on the nature of the project. A bond equivalent to 10% of the total project cost is required to be posted by the project developer to ensure commencement of the project within one (1) year from the issuance of the development permit.

Subdivision lots or condominium units may be sold or offered for sale only after a license to sell has been issued by the HLURB. The license to sell may be issued only against a performance bond posted to guarantee the completion of the construction of the subdivision lot or condominium project and compliance with applicable laws and regulations. All documents evidencing conveyances of subdivision and condominium units should be registered with the relevant Registry of Deeds.

Title to the subdivision lot or condominium unit must be delivered to the purchaser upon full payment of the purchase price.

The foregoing permits, licenses and approvals are secured by and complied by ALI for its subdivision and condominium developments

Property Taxation

Real property taxes are payable annually based on the property's assessed value. The assessed value of property and improvements vary depending on the location, use and the nature of the property. Land is ordinarily assessed at 20% to 50% of its fair market value; buildings may be assessed at up to 80% of their fair market value; and machinery may be assessed at 40% to 80% of its fair market value. Real property taxes may not exceed 2% of the assessed value in municipalities and cities within Metro Manila or in other chartered cities and 1% in all other areas. An additional special education fund tax of 1% of the assessed value of the property is also levied annually. ALI promptly pays the real estate taxes and assessments on the properties it owns.

Environmental Laws

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. As a requisite for the issuance of an ECC, an environmentally critical project must prepare an Environmental Impact Statement ("EIS"), while a project in an environmentally critical area must prepare an Initial Environmental Examination ("IEE"), without prejudice to the power of the DENR to require a more detailed EIS. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the project's environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The issuance of an ECC is a Government certification that the proposed project or undertaking will not cause a significant negative environmental impact; that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures provided therein.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

In addition to the requirement for the issuance of an ECC, all public and private proponents of subdivision development projects, housing projects and other land development and infrastructure projects are required to undertake an Engineering Geological and Geohazard Assessment (EGGA). The EGGA is undertaken in order that project proponents can adequately and comprehensively address and mitigate the possible effects/impacts of geologic hazards. To comply with this requirement, the proponent causes the preparation of an Engineering Geological and Geohazard Assessment Report (EGGAR) which includes the results of all engineering geological, structural geological and geohazard assessment and geotechnical tests, with any other specialized studies and tests undertaken, as prescribed by the DENR- Mines and Geosciences Bureau (MGB). The EGGAR shall be subject to review/verification by DENR-MGB and for appropriate transmittal or endorsement to the DENR-EMB and other concerned government Agencies. The EGGAR is used as an institutional planning tool to safeguard development projects from the hazards caused by geological phenomena. ALI undertakes the EGGA and secures ECCs prior to commencement of its real estate projects and exerts best efforts to comply with the conditions specified therein.

In general, there have been no materially significant or extraordinary costs incurred by ALI and its subsidiaries, taken as a whole, in respect of environmental compliance. ALI and its subsidiaries' costs of compliance with applicable environmental laws and regulations vary from project to project depending on various factors, especially local conditions. However, none of such costs have been material in respect of their finances as a whole.

DESCRIPTION OF PROPERTIES

LANDBANK / PROPERTIES WITH MORTGAGE OR LIEN

The following table provides summary information on ALI's landbank as of December 31, 2013. Properties are wholly-owned and free of lien unless noted.

Location	*Hectares*	*Primary land use*
Makati[1]	50	Commercial/Residential
Taguig[2]	101	Commercial/Residential
Makati (outside CBD)[3]	22	Commercial/Residential
Alabang[4]	18	Commercial/Residential
Las Piñas/Paranaque	131	Commercial/Residential
Manila / Pasay[5]	4	Commercial/Residential
Quezon City[6]	137	Commercial/Residential
Others in Metro Manila	86	Commercial/Residential
Metro Manila	***549***	
NUVALI[7]	2,098	Commercial/Residential/Industrial
Laguna (ex-Canlubang)[8]	469	Commercial/Residential/Industrial
Cavite[9]	1,807	Commercial/Residential
Batangas/Rizal/Quezon[10]	131	Commercial/Residential
Calabarzon	***4,505***	
Bulacan/Pampanga[11]	***1,198***	Commercial/Residential
Others in Luzon[12]	***1,360***	Commercial/Residential
Bacolod/Negros Occidental	281	Commercial/Residential
Cebu[13]	215	Commercial/Residential
Davao[14]	83	Commercial/Residential
Cagayan De Oro[15]	181	Commercial/Residential
Iloilo[16]	81	
Visayas/Mindanao	***841***	
TOTAL	***8,453***	

[1] Makati includes sites of Mandarin Hotel (1.6 has.) and Peninsula Hotel (2.0 has.) which are 50% owned through Ayala Hotels, Inc., and remaining area at Roxas Triangle (0.3 ha.) which is 50% owned. 1.37 ha. is mortgaged with BPI in compliance with BSP ruling on directors, officers, stockholders and related interests.

[2] *Taguig includes the recently acquired FTI property in Taguig with a total of 73.7 has and the 9.8-ha. site of Market! Market! under lease arrangement with BCDA; 11.3 has. in Taguig is owned through Fort Bonifacio Development Corporation.*

For Market! Market!, the lease agreement with the BCDA covers a period of 25 years (renewable for another 25 years) and involves an upfront cash payment of P688 million and annual lease payments with fixed and variable components.

[3] *Includes a 21-ha. property which is under a joint development agreement with Philippine Racing Club, Inc.*

[4] *Alabang pertains to the 17.6-ha. Alabang Town Center which is 50% owned through Alabang Commercial Corp. (ACC), 3.7 ha. of which is subject of a Mortgage Trust Indenture as security for ACC's short-term loans with Bank of the Philippine Islands.*

[5] *Manila/Pasay includes 1.3 has. which are under joint venture with Manila Jockey Club, Inc. and 0.3-ha. site of Metro Point which is 50% owned through ALI-CII Development Corp.*

[6] *Includes 46.6 has. under lease arrangement with University of the Philippines; the 13-ha. site of TriNoma which is under lease arrangement with the Department of Transportation and Communication; a 2.0-has. property which is being leased from Ellimac Prime Holdings, Inc. and a 29.2-has. property on a joint development agreement with the National Housing Authority and a 2.0-has. property under lease agreement with MBS Development Corp.*

TriNoma is 49% owned by ALI through North Triangle Depot Commercial Corp.

[7] *NUVALI includes 853 has. through Aurora Properties Incorporated, Vesta Holdings, Inc. which are owned 78% and 70% owned by Ayala Land, respectively; also includes 178 has. which are 60% owned through Ceci Realty, Inc and 480 has of Buntog parcel which is 100% owned by Ayala Land*

[8] *Laguna (excluding Canlubang) includes 92.5 has. which are under a 50-50% joint venture with Greenfield Development Corp.; 4.5 has. in Laguna Technopark, Inc. which is 75% owned by Ayala Land; and 3.3-ha. site of Pavilion Mall which is under 25-year lease arrangement with Extra Ordinary Group, with an option to renew every 5 years thereafter.*

[9] *Cavite includes 5 has. in Riego de Dios Village which is under joint venture with the Armed Forces of the Philippines and a 5-has. property being developed under a land lease agreement. It also includes total of 440 has parcel located in Kawit.*

[10] *Batangas includes 7 has. in Sto. Tomas project which is under an override arrangement.*

[11] *Pampanga includes 1,033 has. in Porac is 100% owned under Nuevo Centro.*

[12] *Includes 300 has in Bataan pertaining to the Anvaya Cove property which is under joint development agreement with SUDECO, a 6.5-has. property in Subic on lease agreement with Subic Bay Management Authority and a 19-has. Land lease with the government in Palawan.*

[13] *Cebu includes the 8.6 has. lot pad of Ayala Center Cebu which is 49% owned through Cebu Holdings, Inc. (CHI); 0.62-ha. Cebu Insular Hotel site owned by AyalaLand Hotels and Resorts Corporation and Cebu Holdings, Inc.; 8 has. in Asiatown IT Park which is owned by Cebu Property Ventures and Development Corporation which in turn is 76% owned by CHI.*

[14] *Davao includes a 8.5-ha. Property which is 67% owned through Accendo Commercial Corp.*

[15] *Cagayan de Oro includes 3.3 has. which are 70% owned through Cagayan de Oro Gateway Corp. and 177 has. which is under a JDA agreement with Promenade Land Holdings, Inc.*

[16] *Includes a 2.0 has. land lease with Riverside Holdings, Inc. for the Iloilo Technohub site and a 12.8-ha. property secured through a JDA agreement with the Pison Group.*

LEASED PROPERTIES

The Company has an existing contract with BCDA to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. 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.

On January 28, 2011, a notice was given to the Company for 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 a 58,000 square meters another 25 years by mutual agreement. The project involves the construction of a retail establishment with 63,000 square meters of available gross leasable area and a combination of Headquarter-and-BPO- type buildings with an estimated 8,000 square meters of office space. Phase 1a (with gross leasable area of 5,000 sqm.) of retail establishment has commenced operations on September 30, 2013.

RENTAL PROPERTIES

The Company's properties for lease are largely shopping centers and office buildings. It also leases land, carparks, hotels and resorts, and some residential units. In the year 2013, rental revenues from these properties accounted for ₱18.0 billion or 21% of Ayala Land's consolidated revenues. Lease terms vary depending on the type of property and tenant.

PROPERTY ACQUISITIONS

With 8,453 hectares in its landbank as of December 31, 2013, Ayala Land believes that it has sufficient properties for development in next 25 years.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In a disclosure to the SEC dated February 10, 2011, ALI was awarded by the Board of Regents of the University of the Philippines (U.P.) the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The lease contract is for a period of 25 years, with an option to renew said lease for another 25 years by mutual agreement. The development of the site involves the construction of a retail establishment with 63,000 square meters of available GLA and a combination of headquarter-and-BPO office type building with an estimated 8,000 square meters of GLA.

In February 2011, the Company through wholly-owned subsidiary Alveo Land entered into an agreement with Philippine Racing Club, Inc. to jointly pursue the development of the 21-hectare property located in Barangay Carmona, Makati City, more commonly known as “Sta. Ana Racetrack.” The project is intended as a mixed-use development and will form part of the Company’s ongoing developments in the City of Makati.

In a disclosure to the SEC, PSE and PDEx dated June 29, 2012, the Executive Committee of Ayala Land authorized the negotiation and entry into a strategic alliance with the Group led by Mr. Ignacio R. Ortigas for the purpose of allowing Ayala Land to participate in OCLP Holdings, Inc., the parent company of Ortigas & Company Limited Partnership, and in the development of its various properties and businesses.

In August 2012, the Group won the public bidding for the purchase of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig. 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. The Group’s bid was ₱24.3 billion.

In October 2012, the Company entered into a Purchase Agreement wherein the Seller (FTI) agrees to sell, convey, assign and transfer and deliver to the buyer, and the buyer agrees to purchase and acquire from the seller, all of the seller’s rights and interests in the property. The property is designed to be a mixed-use development and will be transformed into a new business district that will serve as Metro Manila’s gateway to the South.

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 for the Fairmont Hotel and Raffles Suites and Residences project in Makati which opened last December 2012. A total of ₱2,430.4 million was paid to acquire the interests of KHI in AMHRI and AMHPI.

MORTGAGE, LIEN OR ENCUMBRANCE OVER PROPERTIES

The Company has a 1.37 has. property in Makati City mortgaged with BPI in compliance with BSP ruling on directors, officers, stockholders and related interests:

CERTAIN LEGAL PROCEEDINGS

As of December 31, 2013, ALI, its subsidiaries, and its affiliates, are not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

However, there are certain litigation ALI is involved in which it considers material, and though the events giving rise to the said litigation occurred beyond the five (5) year period, the same are still unresolved, as follows:

Certain individuals and entities have claimed on certain of ALI's properties in Las Piñas adjacent to ALI's development in Southvale.

Prior to purchasing the aforesaid properties in Las Piñas, 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 October 1993, ALI filed petitions in the RTC of Makati and Las Piñas for quieting of title to nullify the purported titles or claims of these adverse claimants. A number of 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 remaining pending cases involve the remaining area of approximately 126 hectares.

As a result of the explosion which occurred on October 19, 2007 at the basement of the Makati Supermarket Building, the Philippine National Police has filed a complaint with the Department of Justice ("DOJ") and recommended the prosecution of certain officers/employees of Makati Supermarket Corporation, the owner of the building, as well as some employees of ALI's subsidiary, Ayala Property Management Corp. ("APMC"), among other individuals, for criminal negligence. In a Joint Resolution dated April 23, 2008, the DOJ special panel of prosecutors ruled that there was no probable cause to prosecute the APMC employees for criminal negligence. This was affirmed by the DOJ Secretary in a Resolution dated November 17, 2008. A Motion for Reconsideration was filed by the Philippine National Police which remains pending with the DOJ. To date, no civil case has been filed by any of the victims of the incident.

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

MARKET PRICE OF AND DIVIDENDS ON AYALA LAND'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Ayala Land was incorporated in June 1988 and was listed on the PSE in July 1991.

Market Information

Ayala Land common shares are listed in the PSE.

Stock Prices (in ₱/share)

	High			Low			Close		
	2013	**2012**	**2011**	**2013**	**2012**	**2011**	**2013**	**2012**	**2011**
First Quarter	33.25	22.10	16.38	25.85	15.20	13.80	32.70	20.75	15.50
Second Quarter	35.70	22.85	16.98	26.30	18.80	15.00	30.40	21.60	15.60
Third Quarter	31.60	24.50	17.10	23.00	19.70	13.50	27.25	23.85	14.58
Fourth Quarter	31.20	27.35	16.92	23.70	21.85	14.00	24.75	26.45	15.16

The market capitalization of ALI as of end-2013, based on the closing price of ₱24.75/share, was ₱350.80 billion. ALI's closing price as of March 5, 2014 was ₱29.90 which translates to a market capitalization of ₱424 billion.

Stockholders

The following are the top 20 direct holders of the common and preferred shares of the Company:

Common Shares: *There are approximately 9,920 holders of common equity security 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 Shares:

There are approximately 2,762 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 SSBTC 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%

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
0.045	June 1, 2010	June 30, 2010	July 23, 2010
0.048	November 30, 2010	December 14, 2010	January 11, 2011
0.0733	Feb. 24, 2011	March 23, 2011	April 15, 2011
0.0733	Aug. 26, 2011	Sept. 20, 2011	Oct. 5, 2011
0.109488	February 20, 2012	March 7, 2012	March 27, 2012
0.103852	Aug. 24, 2012	September 17, 2012	October 08, 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 capital expenditure and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company's Board of Directors but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the 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.

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)
2010	7.4 Million	25.2 Million
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 the common shareholders of the Company. The said issuance of the shares is an exempt transaction under Section 10.1 I 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." The SEC approved last January 31, 2013 the decrease in authorized capital stock by ₱1.3 million, the aggregate par value of the 13.034 preferred shares which have been redeemed and retired, from ₱22.8 million to ₱21.5 million.

On July 16, 2012, the Company completed a placement of 680,000,000 common shares at ₱20 per share or an aggregate of ₱13.6 billion. The placement price of ₱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. Goldman Sachs (Singapore) Pte. J.P. Morgan and UBS Investment Bank acted as Joint Bookrunners and Placement Agents, BPI Capital Corporation as Sole Domestic Coordinator and Bookrunner and CLSA Limited as Co-Manager.

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 had filed a Notice 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."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Plan of Operations

Ayala Land's performance will continue to hinge on the overall economic performance of the country. Interest rate movements may affect the performance of the real estate industry, including the Company.

Principles of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of Ayala Land and the following subsidiaries as at December 31, 2013:

	Percentages of Ownership December 31 2013
Real Estate:	
Alveo Land Corporation (Alveo)	**100%**
Serendra, Inc.	**39**
Solinea, Inc. (Solinea)	**65**
BGSouth Properties, Inc. (BGS)	**50**
Portico Land Corp. (Portico)	**60**
Serendra, Inc.	**28**
Amorsedia Development Corporation	**100**
OLC Development Corporation and Subsidiary	**100**
HLC Development Corporation	**100**
Allysonia International Ltd.	**100**
Avida Land Corporation (Avida)	**100**
Buklod Bahayan Realty and Development Corp.	**100**
Avida Sales Corp. and Subsidiaries	**100**
Amicassa Process Solutions, Inc.	**100**
Avencosouth Corp. (Avencosouth)	**70**
BGNorth Properties, Inc. (BGN)	**50**
Amaia Land Co. (Amaia)	**100**
Amaia Southern Properties, Inc. (ASPI)	**65**
Ayala Land International Sales, Inc. (ALISI)	**100**
Ayalaland International Marketing, Inc. (AIMI)	**100**
Ayala Land Sales, Inc.	**100**
Buendia Landholdings, Inc.	**100**
Crans Montana Holdings, Inc.	**100**
Crimson Field Enterprises, Inc.	**100**
Ecoholdings Company, Inc. (ECI)	**100**
NorthBeacon Commercial Corporation NBCC)	**100**
Red Creek Properties, Inc.	**100**
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**
Asterion Technopod, Incorporated (ATI)	**100**
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation)	**100**

	Percentages of Ownership December 31 2013
(Westview)	
Fairview Prime Commercial Corp. (formerly Gisborne Property Holdings, Inc.)	**100**
Hillsford Property Corporation (HPC)	**100**
Primavera Towncentre, Inc. (PTI)	**100**
Summerhill E-Office Corporation (Summerhill)	**100**
Sunnyfield E-Office Corporation (Sunnyfield)	**100**
Subic Bay Town Centre, Inc.	**100**
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	**100**
AyalaLand Real Estate Investments Inc.	**100**
AyalaLand Advisory Broadway Inc.	**100**
AyalaLand Development (Canada) Inc.	**100**
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**
Arvo Commercial Corporation (Arvo)	**100**
BellaVita Land Corporation (BellaVita)	**100**
Nuevo Centro, Inc. (Nuevo Centro)	**100**
Cavite Commercial Town Center, Inc.	**100**
ALI Property Partners Corp. (APPCo)	**100**
One Dela Rosa Property Development, Inc.	**100**
First Gateway Real Estate Corp.	**100**
Glensworth Development, Inc. (Glensworth)	**100**
UP North Property Holdings, Inc.	**100**
Laguna Technopark, Inc. (LTI)	**75**
Ecozone Power Management, Inc.	**75**
Aurora Properties Incorporated	**78**
Vesta Property Holdings, Inc.	**70**
Station Square East Commercial Corporation (SSECC)	**69**
Asian I-Office Properties, Inc. (AiO) (Note 24)	**–**
Accendo Commercial Corp. (Accendo)	**67**
Avencosouth Corp.	**20**
Aviana Development Corporation	**7**
Aviana Development Corporation	**50**
Cagayan de Oro Gateway Corp. (CDOGC)	**70**
Ceci Realty, Inc. (Ceci)	**60**
Soltea Commercial Corp.	**24**
Soltea Commercial Corp.	**60**
CMPI Holdings, Inc.	**60**
CMPI Land, Inc.	**36**
ALI-CII Development Corporation (ALI-CII)	**50**
Roxas Land Corporation (RLC)	**50**
Adauge Commercial Corporation (Adauge)	**87**
Southgateway Development Corp. (SDC)	**100**
Ayalaland MetroNorth, Inc. (AMNI)	**100**
North Triangle Depot Commercial Corporation (NTDCC)	**49**
BGWest Properties, Inc. (BGW)	**50**
Cebu Holdings, Inc. (CHI)	**50**
Taft Punta Engano Property, Inc.	**55**

	Percentages of Ownership December 31 2013
Cebu Property Ventures Development Corpand Subsidiary	**38**
Cebu Leisure Company, Inc.	**50**
CBP Theatre Management Inc.	**50**
Cebu Insular Hotel Company, Inc.	**19**
Solinea, Inc.	**18**
Amaia Southern Properties, Inc. (ASPI)	**18**
Alabang Commercial Corporation (ACC)	**50**
South Innovative Theater Management (SITMI)	**50**
Construction:	
Makati Development Corporation (MDC)	**100**
MDC – Subic	**100**
MDC – Build Plus, Inc.	**100**
MDC Conqrete, Inc. (MCI)	**100**
MDC Equipment Solutions, Inc. (MESI)	**100**
Hotels and Resorts:	
Ayala Hotels, Inc. (AHI)	**50**
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (Note 24)	**80**
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24)	**80**
Asian Conservation Company Limited and Subsidiary	**100**
Enjay Hotels, Inc. (Enjay)	**100**
Greenhaven Property Venture, Inc. (GPVI)	**100**
Cebu Insular Hotel Company, Inc. (CIHCI)	**63**
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. (formerly KHI-ALI Manila, Inc.) (Note 24)	**20**
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24)	**20**
Ten Knots Phils, Inc. (TKPI) (Note 24)	**60**
Bacuit Bay Development Corporation	**60**
Ten Knots Development, Corp. (TKDC) (Note 24)	**60**
Chirica Resorts Corp.	**60**
Kingfisher Capital Resources Corp.	**60**

	Percentages of Ownership December 31 2013
Property Management:	
Ayala Property Management Corporation (APMC)	**100**
Ayala Theatres Management, Inc. and Subsidiaries	**100**
DirectPower Services, Inc. (DirectPower)	**100**
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**60**
Five Star Cinema, Inc.	**100**
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**
Others:	
MZM Holdings, Inc. (MZM)	**–**
ALInet.com, Inc. (ALInet)	**100**
First Longfield Investments Limited (First Longfield) (Hongkong company)	**100**
Green Horizons Holdings Limited	**100**
Food Court Company, Inc. (FCCI)	**–**
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**
Studio Ventures, Inc. (SVI)	**–**
AyalaLand Club Management, Inc.	**100**
Varejo Corp. (Varejo)	**100**
Solerte, Inc.	**100**
Verde Golf Development Corporation	**100**
Whiteknight Holdings, Inc. (WHI)	**100**

Results of Operations for the Year Ended December 31, 2013

Ayala Land, Inc. ("ALI" or "the Company") posted a record ₱11.74 billion in net income attributable to equity holders of ALI for the year 2013, 30% higher than the ₱9.04 billion recorded the previous year. Consolidated revenues reached ₱81.52 billion, 36% higher year-on-year. Revenues from Real Estate, which comprised the bulk of consolidated revenues, increased by 40% to ₱76.34 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 ₱51.96 billion in 2013, 51% higher than the ₱34.46 billion recorded in 2012.

Revenues from the Residential Segment reached ₱41.99 billion in 2013, 32% higher than the ₱31.88 billion reported the previous year, largely due to solid bookings and steady project launches across all brands. Ayala Land Premier (ALP) generated ₱15.56 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 ₱9.10 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 ₱12.50 billion and ₱2.43 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 ₱63.93 million, mainly due to revenues generated from its General Trias and Alaminos projects.

Sales take-up value in 2013 reached a record level of ₱91.93 billion, equivalent to an average monthly sales take-up of ₱7.66 billion, an all-time high and 18% higher than the ₱6.47 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 ₱108 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 ₱8.80 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 ₱18.00 billion in 2013, 21% higher than the ₱14.91 billion recorded in the previous year.

Revenues from Shopping Centers increased by 10% to ₱10.48 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 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 ₱3.50 billion in 2013 from ₱2.97 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 ₱633 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 ₱4.02 billion in 2013 from ₱2.45 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 ₱3,592, while REVPAR for resorts was at ₱5,683 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 ₱26.33 billion in 2013, 29% higher than the ₱20.38 billion posted last year. Construction revenues rose by 19% to ₱22.96 billion given an increased orderbook and the steady completion of ALI Group projects. Property Management revenues increased 196% to ₱3.38 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 Associates and Joint Ventures, Interest, Fees, Investment and Other Income

Equity in net earnings of associates and joint ventures rose by 3% to ₱550 million in 2013 from ₱536 million in the previous year. Interest and Investment Income meanwhile declined by 17% to ₱3.54 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 ₱1.10 billion, primarily due to the sale of Laguna Technopark's waterworks business.

Expenses

Total expenses amounted to ₱62.56 billion in 2013, 38% more than the ₱45.38 billion incurred in 2012. Real Estate and Hotels Expenses rose 40% year-on-year to ₱51.84 billion. GAE meanwhile grew by 25% to ₱5.93 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 ₱4.79 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 ₱66.26 billion in capital expenditures in 2013, 7% lower than the ₱71.29 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 ₱70.0 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 ₱142 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, Short-term Investments and Investments in UITF classified as financial assets at FVPL stood at ₱40.78 billion, resulting in a Current Ratio of 1.45:1. Total Debt stood at ₱101.90 billion from ₱74.78 billion as of December 31, 2012, translating to a Debt-to-Equity Ratio of 1.04:1 and a Net Debt-to-Equity Ratio of 0.61:1. Return on equity was maintained at 13% in 2013.

Key Financial Performance Indicators

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

	December 31, 2013	*December 31, 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%	13%

Asset to Equity ratio [6]	2.90:1	2.66:1
Interest Rate Coverage [7]	6.5	6.7

[1] *Current assets / current liabilities*
[2] *Total debt/ equity attributable to equity holders of ALI net of unrealized gain (Total debt includes short-term debt, long-term debt and current portion of long-term debt)*
[3] *Net debt/ equity attributable to equity holders of ALI (Net debt is total debt less cash and cash equivalents, short term investments and investments classified as Financial Assets at Fair Value through Profit and Loss)*
[4] *Total Net income / average total assets*
[5] *Net income attributable to parent / average equity attributable to the 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 – 2013 versus 2012

40% 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 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% increase in short-term investments
Due to additional MMP in Land Bank of the Philippines

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

26% increase in accounts and notes receivables
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 (net)
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 (net)
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 ₱12.2 billion.

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

13% decrease in net 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 shares
Largely attributed to retirement of redeemed preferred shares.

Results of Operations for the year ended December 31, 2012

Ayala Land, Inc. ("ALI" or "the Company") posted a record ₱9.04 billion in net income attributable to equity holders of ALI for the year 2012, 27% higher than the ₱7.14 billion recorded the previous year. Consolidated revenues reached ₱59.93 billion, 26% higher year-on-year. Revenues from Real Estate, which comprised the bulk of consolidated revenues, increased by 22% to ₱54.71 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. Net income margin before non-controlling interest remained at 18% in 2012 compared to 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 ₱34.46 billion in 2012, 36% higher than the ₱25.41 billion recorded in 2011.

Revenues from the residential business reached ₱31.88 billion in 2012, 32% higher than the ₱24.22 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 ₱11.56 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 ₱7.96 billion and ₱9.03 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 ₱1.58 billion, 88% higher than the ₱841 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 ₱77.61 billion, equivalent to an average monthly sales take-up of ₱6.47 billion that is 50% higher than the ₱4.31 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 ₱2.47 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 ₱12.46 billion in 2012, 12% higher than the ₱11.12 billion recorded the previous year.

Revenues from Shopping Centers increased by 11% to ₱9.49 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 64% from 62% the previous year due to improved mall operations and effective management of direct operating expenses. Average building 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 ₱2.97 billion in 2012 from ₱2.60 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 ₱589 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 ₱2.45 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 ₱5.33 billion in 2012. This was 15% lower than the ₱6.26 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 ₱19.24 billion compared to ₱13.77 billion in 2011, while Property Management revenues grew 2% to ₱1.14 billion in 2012 due to higher carpark revenues, compared with ₱1.11 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 associates and joint ventures, Interest, Fees, Investment and Other Income

Equity in Net Earnings from Investees rose by 38% to ₱536 million in 2012 from ₱389 million the previous year, mainly as a result of higher contributions from FBDC companies. Interest, Investment and Other Income meanwhile grew by 92% to ₱4.69 billion in 2012 compared with the ₱2.44 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 ₱45.38 billion in 2012, 26% more than the ₱36.07 billion incurred in 2011. Cost of Sales from Real Estate, which accounted for the bulk of expenses, rose 23% year-on-year to ₱37.03 billion. GAE meanwhile grew by 26% to ₱4.73 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 ₱3.63 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 ₱71.29 billion in capital expenditures in 2012, 138% more than the ₱29.91 billion spent the previous year. Residential development accounted for 23% of the total, while 57% was spent for land acquisition, which includes ₱22.6 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 ₱65.5 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 ₱129 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 ₱3.0 billion notes and ₱15.0 billion bonds, as well as the ₱1.0 billion Homestarter Bonds issued in 2012 brought Cash and Cash Equivalents, Short-term Investments and Investments in UITF classified as financial assets at FVPL to ₱32.14 billion. Current Ratio stood at 1.41:1, with Total Debt at ₱74.78 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 ₱6.0 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 ₱6.0 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 ₱19.9 billion and ₱19.2 billion, respectively. On February 19, 2013, the Company declared cash dividends at ₱0.14787806 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 subsidiaries:

	December 31, 2012 (As restated)	*December 31, 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%	4.1%
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	5.9

[1] *Current assets / current liabilities*
[2] *Total debt/ equity attributable to equity holders of ALI net of unrealized gain (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 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.

41% 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

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 (net)
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 (net)
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 ₱12.2 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 shares
Largely attributed to redemption of preferred shares.

CHANGES IN ACCOUNTING AND FINANCIAL DISCLOSURE

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following 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), 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.

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 Notes 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 Notes to the financial statements.

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

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. 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 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 Notes to the financial statements.

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 Notes to the financial statements.

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 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, *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 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.

DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS

(as of April 10, 2013)

The write-ups below include positions currently held by the directors and executive officers, as well as positions held during the past five years.

Board of Directors

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	

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.

***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.

Bernard Vincent O. Dy, Filipino, 50, is the President & Chief Executive 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.

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.

Francis G. Estrada, Filipino, 64, has served as Independent Director of ALI since April 2008. He was re-elected as Independent Director for a term of 1 year from the April 18, 2012 Annual Stockholders’ Meeting. 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.

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.; 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.

Rizalina G. Mantaring, Filipino, 54, is elected as an Independent Director of ALI for the first time. She 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.

Resignation of Directors

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

Management Committee Members / Key Executive Officers

Bernard Vincent O. Dy	President and Chief Executive 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
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

Bernard Vincent O. Dy, Filipino, 49, is the President and Chief Executive Officer, and a member of the Management Committee of Ayala Land, Inc. since 2005. Currently, he is the Head of the Residential Business Group, Commercial Business Group, Human Resources Group and Corporate Marketing and Sales Group of ALI. His other significant positions include: Chairman of Ayala Land International Sales, Inc., Anvaya Cove Golf & Sports Club and Amicassa Process Solutions, Inc.; Vice Chairman of Avida Land Corp. and Alveo Land Corporation; President of Serendra, Inc. and Director of Fort Bonifacio Development Corporation, Ayala Land Sales, Inc., Bellavita Land Corporation, Amaia Land Corporation, North Triangle Depot Commercial Corporation, Alabang Commercial Corporation, Station Square East Commercial Corporation and Ayala Greenfield Golf & Leisure Club.

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. He is also a Director of Laguna Technopark, Inc., 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, Anta Realty & Development Corp., and Anta Construction Corporation.

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 Plannades, and a member of the Board of Directors of Aurora Properties Incorporated, Ceci Realty, Inc. and 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, Filipino, 59, is a Senior Vice-President and a member of the Management Committee of ALI. He is the Chairman of the Board of Ayala Property Management Corporation; Chief Executive Officer and Director of Philippine Integrated Energy Solutions Inc. and DirectPower; Board Member of Makati Development Corporation, MDC BuildPlus, and Tower One Condominium Corporation. He is the first and only Filipino Certified Facility Manager by the International Facility Management Association; Governor of Ayala Center Association and Makati Commercial Estate Association. Inc.; and the Group head of Ayala Security Force.

Jose Emmanuel H. Jalandoni, CFA, Filipino, 46, is a Senior Vice President and member of the Management Committee of ALI. He is the Group Head of ALI-Capital and Hotels Group. His significant positions include: Chairman and President of Alinet.Com.Inc., Cebu Insular Hotel Co., Inc., Greenhaven Property Ventures, Inc., and Roxas Land Corporation; President and Director of Ayala Hotels, Inc., AyalaLand Hotels and Resorts Corporation, ALI Makati Hotel and Residences, Inc., and ALI Makati Hotel Property, Inc.; Chairman and Director of Enjay Hotels, Inc., Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., North Triangle Hotel Ventures, Inc., Bacuit Development Corp., Chirica Resorts Corp., and Sunnyfield E-Office Corp.; Director/Treasurer of ALI Property Partners Corporation, CMPI Holdings, Inc., CMPI Land, Inc., Ayala Property Partners Corp., Ecoholdings Company, Inc., Forst Gateway Real Estate Corp., Glensowrth Development, Inc., One dela Rosa Property Devt.

Inc., and UP North Property Holdings, Inc; Director of DirecPower Services, Inc., Ten Knots Development Corp., Ten Knots Philippines, Inc., First Longfield Investments Ltd (HK), Jade Estates Holdings Ltd (HK), Jade Estates Holdings Ltd (BVI), KHI-ALI Manila, Inc., and Regent Wise Investments Ltd; Alternative Director of Regent Time International Ltd.; Director & Member of the Investment Committee of ARCH Capital Mngt Co. Ltd.; and Member of the Investment Committee of ARCH Capital Asian Partners, G.P (Cayman). He joined ALI in 1996 and held various positions in the company.

Emilio Lolito J. Tumbocon, Filipino, 58, is a Senior Vice-President at Ayala Land, Inc., and a member of its Management Committee. He heads the ALI-VisMin Group and the Human Resources and Public Affairs Group and concurrently the Chairman/President of TJ Development, Inc. and the Technical Services Director of Superblock Projects since 2008. His other significant positions are: Director of Cebu Holdings, Inc., Cebu Property Ventures & Development Corporation, Cebu Insular Hotel Co., Inc., Accendo Commercial Corporation, Cagayan de Oro Gateway Corp., Adauge Commercial Corp., Taft Punta Engaño Property, Inc., Makati Development Corporation, MDC Buildplus, Inc., MDC Equipment Solutions, Inc., MDC Subic, Inc., DirectPower Services, Inc., Ecozone Power Management, Laguna Technopark, Inc., Anvaya Cove Golf & Sports Club, Inc., Asian-I Office Properties, Inc., Northgate Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., ALI Makati Hotel Property, Inc., AvencoSouth Corp., Whiteknight Holdings, Inc. and Westview Commercial Ventures Corp. He is a certified Project Management Professional (PMP) of the Project Management Institute since 2006. He has 32 years of extensive work experience in the construction and real estate industry.

Jaime E. Ysmael, Filipino, 52, 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 Officerof 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., Enjay Hotels, Inc. and Cebu Holdings, Inc.; Director of Alabang Commercial 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 Incorporated 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.

Augusto D. Bengzon, Filipino, 51, 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 Incorporated, Vesta Properties Holdings, Inc., Ceci Realty, Inc and Hero Foundation, Inc.; Director of Anvaya Cove Golf and Sports Club; Trustee of PNP Foundation, Inc., and 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 is under the Strategic Land Bank Management Group (SLMG) and heads the NUVALI and FTI (ARCA South) 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 Incorporated 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 joined ALI in 1994 and had served in various positions covering land acquisition, planning and development and general management positions.

Manuel A. Blas II, Filipino, 59, is a Vice-President of Ayala Land Inc. since January 2008, and is currently the Head of Commercial Operations in Bonifacio Global City. He is also assigned as Managing Director of Bonifacio Arts Foundation, Inc. and a Director of Bonifacio Global City Estate Assoc., Bonifacio Estate Services Corp., Bonifacio Water Corp., Bonifacio Gas Corp., and Bonifacio Transport Corp. 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 Group, which consists of malls and office leasing developments. She is also the Head of the Retailing Business Group, which handles the development and operations of ALI's new retailing businesses. She holds the following significant positions in the following companies: Director of MRT Development Corporation, 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 Group, Head of Corporate Control and Analysis Division, and Head of ALI Investor Relations Unit.

Anna Ma. Margarita B. Dy, Filipino, 44, is Vice President and member of the Management Committee of Ayala Land, Inc. effective August 2008. She is Head of the Strategic Landbank Management Group (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 Incorporated, 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. Prior to this assignment, he was with the Commercial 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 Corp.

Jose Juan Z. Jugo, Filipino, 42, is a Vice President of ALI since January 2013. His main function in the company is as Group 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, 39, 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 April 2009. He is also a Member of the Board of Directors of Serendra, Inc. and BG South Properties, Inc. Prior to joining Ayala Land, Inc., he served as Process Engineering Trainee of Fuijitsu Limited in Japan, Senior Process Engineer of Fujitsu Computer Products Corporation of the Philippines (FCPP), Lead Process Engineer of PT. Quantum Electronics in Indonesia and Consultant of Lucent Technologies Philippines, Inc. He is a licensed Real Estate Broker.

Michael Alexis C. Legaspi, Filipino, 56, 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. and Cebu Insular Hotels Co. Inc. He is the President and Director of Enjay Hotels, Inc., Cebu Insular Hotels Co. Inc., Bonifacio Hotel Ventures, Inc., Greenhaven Property Ventures, Inc., Northgate Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., and Ecosouth Hotel Ventures, Inc. Concurrently, he is a Director of KHI-ALI Manila, Inc., Ten Knots Development Corporation, Ten Knots Phils., Inc., Chirica Resorts Corporation and Bacuit Bay Development Corp. 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 Group. His other significant positions include: Director of Vesta Properties Holdings, Inc., Aurora Property Holdings, Inc., Anvaya Cove Golf & Country and a member of the Board of Trustees of Philippine Green Building Council. He joined ALI in 1990 as a Registered Architect and Environmental Planner.

Christopher B. Maglanoc, Filipino, 42, is a Vice President of Ayala Land, Inc and concurrently the President of Avida since January 2012. His other significant positions include: Chairman of Avida Sales Corp., President of Avencosouth Corp and Director of AMICASSA Process Solutions. For the last few years, he was Project Development Manager (Division Manager) of Alveo Land, Inc. from December 2003 – April 2004; Corporate Planning Officer of Ayala Land, Inc. from September 2002 – November 2003 and he held the following positions in Avida Land as AVP & Head – Projects & Strategic Management Group from January 2007 to December 2011, Asst. Vice-President from January 2006 – June 2007 and Senior Division Manager from

May 2004 – January 2006. He received his Bachelor of Arts in Sociology from University of the Philippines Los Baños in 1990. After two years he received his Bachelor of Science in Economics from the same University above. In 1997, he finished his Master in Business Administration at Asian Institute of Management.

Francis O. Monera, Filipino, 58, 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 Group. Before his MDC assignment, he served as Technical Services Group Head of Avida Land Corp. and Alveo Land Corp., wholly owned subsidiaries of ALI and Head of ALI Residential Buildings Group's Construction Management. 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, 51, is a Vice President of ALI since January 2005. She currently heads the Operations and Support Services, Commercial Business Group. 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 Company 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 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., and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He was Corporate Secretary of Integrated Micro-Electronics, Inc. until June 7, 2011.

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.

Family Relationships

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

Involvement in Certain Legal Proceedings (over the past 5 years)

None of the Directors or Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

a. None of them has been involved in any bankruptcy petition.
b. None of them has been convicted by final judgment in a criminal proceeding or is subject to a pending criminal proceeding, both domestic and foreign.
c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.
d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

As at December 31, 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.

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

EXECUTIVE COMPENSATION

Directors and Executive Officers

Directors. Article IV Section 17 of the Company's 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 April 13, 2011.)

During the 2011 annual stockholders' meeting, the stockholders ratified the resolution increasing the remuneration of non-executive directors as follows:

	From	To
Retainer Fee:	₱500,000.00	₱1,000,000.00
Board Meeting Fee per meeting attended:	₱100,000.00	₱200,000.00
Committee Meeting Fee per meeting attended:	₱20,000.00	₱100,000.00

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

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

Officers. 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 Option Plan). The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund. There is no plan or arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change in control of the Company or change in the officers' responsibilities following such change in control.

Options Outstanding

The Company has offered its Executive Stock Option Plan ("ESOP") to the Company's officers since 1998. The following are information on the outstanding stock options held by the following executive officers

Name	No. of Stock Options*
Vincent Y. Tan	3,664,976
Arturo G. Corpuz	635,982
Total	4,300,958

** Expiring on June 10, 2014*

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

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 period. In case the grantee retires, he is given three years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

For other details on stock options, please refer to Note 28 ("Stock Options and Ownership Plans") of the Notes to Consolidated Financial Statements of the 2013 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN RECORD AND BENEFICIAL OWNERS

Security ownership of certain record and beneficial owners of more than 5% as 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 Preferred	Ayala Corporation[1] 34/F, Tower One Ayala Triangle Ayala Ave., Makati City	Ayala Corporation[2]	Filipino	6,934,509,515 12,163,180,640	25.4573% 44.6523%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Management Asia Limited[4]	Singaporean	2,243,209,011	8.2350%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Managers Limited[4]	British	1,776,694,534	6.5224%

[1] *Ayala Corporation ("AC") is the parent of the Company.*
[2] *Under the By-laws and the Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.*
[3] *PCD is not related to the Company.*
[4] *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.*

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%
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	Steven J. Dy	1,022,969 (indirect)	Filipino	0.00376%

Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percent** (of outstanding shares)
Common	Anna Ma. Margarita B. Dy	4,608,760 (indirect)	Filipino	0.01692%
Common	Jose Juan Z. Jugo	207,743 (indirect)	Filipino	0.00076%
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%
	Robert S. Lao	412,609 (direct & indirect)	Filipino	0.00151%
	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.

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.

Changes in Control

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

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party 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 (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.

DESCRIPTION OF DEBT

As of December 31, 2013, Ayala Land had the equivalent of ₱101.9 billion of outstanding debt, all of which are unsecured.

Of Ayala Land's outstanding debt, ₱41.6 billion is evidenced by a debt instrument that was acknowledged by both the creditor and Ayala Land before a notary public. Under Philippine law, in the event that a borrower submits to insolvency or liquidation proceedings in which the borrower's assets are liquidated, unsecured debt evidenced by a debt instrument that has been acknowledged by the creditor and the borrower before a notary public enjoys a preference over unsecured debt that has not been so notarized. Ayala Land has secured the waiver by the creditors of such preference in their respective debt instruments. (See discussion under *"Risk Factors and Other Considerations"* of this Prospectus).

The following tables set forth the outstanding long and short-term debt of Ayala Land and its subsidiaries as of December 31, 2013 (in PHP millions).

Short-Term Debt

Borrower	Amount
Ayala Land, Inc.	₱3,900
Alabang Commercial Corporation	333
Alveo Land Corporation	2,270
ALI Property Partners Corp.	1,350
Amaia Land Corp.	1,600
Avida Land Corporation	747
Direct Power Services, Inc.	130
Leisure & Allied Industries Philippines, Inc.	170
Northbeacon Commercial Corp.	968
Station Square East Commercial Corporation	414
Vesta Property Holdings, Inc.	525
Total	**₱ 12,407**

Long-Term Debt

Borrower	Current		Non-Current		Total	
	Peso	US$	Peso	US$	Peso	US$
Ayala Land, Inc.*	**₱ 671**	**-**	**₱ 56,674**	**59**	**₱ 57,345**	**59**
Accendo Commercial Corp.	1,041	-	1,436	-	2,477	-
ALI Property Partners Corporation	344	-	2,438	-	2,782	-
Ayalaland Hotels & Resort Corporation	364	7	6,254	106	6,618	113
Amaia Land Corp.	-	-	1,000	-	1,000	

Arvo Commercial Corporation	4	-	174	-	178	-
Avida Land Corp.	-	-	2,000	-	2,000	-
Cagayan De Oro Gateway Corporation	-	-	2,350	-	2,350	-
Cebu Holdings, Inc.	669	-	3,709	-	4,378	-
Crestview E-Office Corporation	8	-	400	-	408	-
Fairview Prime Commercial Corp.	-	-	2,000	-	2,000	-
Hillsford Property Corporation	12	-	78	-	90	-
HLC Development Corp.	74	-	1,291	-	1,365	
North Triangle Depot Commercial Corporation	235	-	2,729	-	2,964	-
Philippine Integrated Energy Solutions Inc.	-	-	1,074	-	1,074	-
Station Square East Commercial Corporation	58	-	1,393	-	1,451	-
Subic Bay Town Centre, Inc.	44	-	837	-	881	-
Sunnyfield E-Office Corporation	18	-	116	-	134	-
Total	**3,542**	**7**	**85,953**	**164**	**89,495**	**171**

** Including bonds and FXCNs*

The table below details Ayala Land's Issuances of Debt Securities / New Financing through Loans from January 1 to December 31, 2013 (in PHP millions).

Borrower	Amount	Nature
Ayala Land, Inc.	33,658	availment of new short-term loans and issuance of Homestarter Bonds, Corporate Notes and Corporate Bonds
Alabang Commercial Corporation	433	availment of short-term loan
Accendo Commercial Corp.	255	availment of long-term loan
ALI Property Partners Corp.	5,033	availment of long term and short-term loans
Ayalaland Hotels & Resort Corporation	2,101	availment of long-term loans
Alveo Land Corp.	3,540	availment of short-term loans
Amaia Land Corp.	2,600	availment of short-term and issuance of notes
Arvo Commercial Corporation	128	availment of long-term loans
Avida Land Corp.	2,007	availment of short term and issuance of notes
Cebu Holdings, Inc.	1,620	availment of long-term loans
Crestview E-Office Corporation	105	availment of long-term loan
DirectPower Services, Inc.	130	availment of short-term loan
Fairview East Commercial Corp.	2,000	availment of long-term loan
HLC Development Corp.	1,365	availment of long-term loan
NorthBeacon Commercial Corp.	968	availment of short-term loan

North Triangle Depot Commercial Corporation	19	availment of long-term loan
Philippine Integrated Energy Solutions Inc.	995	availment of long-term and short term loans
Station Square East Commercial Corporation	733	availment of short-term loans
Vesta Property Holdings, Inc.	525	availment of short-term loan
Total	**58,215**	

The following sets out the repayments of Debt Securities and Loans from January 1 to December 31, 2013 (in PHP millions):

Borrower	Amount	Nature
Ayala Land, Inc.	15,750	repayment of short term loans, fixed-rate corporate notes, Homestarter Bonds and Corporate Bonds
Alabang Commercial Corp.	333	payment of matured short-term loans
Accendo Commercial Corp.	19	amortization on long-term loan
ALI Property Partners Corp.	3,618	amortization on long-term loans
Ayalaland Hotels & Resort Corporation	1,532	amortization on long-term loans
Alveo Land Corp.	3,620	payment of matured short-term loans
Amaia Land Corp.	350	payment of matured short-term loans
Cebu Holdingg Inc.	322	amortization on long-term loans
Avida Land Corp.	3,147	payment of matured short-term loans
Crestview E-Office Corporation	8	amortization on long-term loans
Hillsford Property Corp.	12	amortization on long-term loan
Leisure & Allied Industries Philippines, Inc.	40	payment of matured short-term loans
Northbeacon Commercial Corp.	968	repayment of long-term loan
North Triangle Depot Commercial Corporation	205	repayment of long-term loans
Philippine Integrated Energy Solutions Inc.	456	repayment of matured short-term
Station Square East Commercial Corporation	694	payment of matured short-term loans and amortization on long-term loans
Sunnyfield E-Office Corporation	18	amortization on long-term loans
Vesta Property Holdings, Inc.	525	payment of matured short-term loan
Total	**31,617**	

There were no commercial papers issued and outstanding during the year ended December 31, 2013.

CORPORATE GOVERNANCE

Ayala Land has always been committed to strong and transparent corporate governance, going well beyond mere compliance with the code mandated by law. Ayala Land made several important improvements to its governance in 2004, focusing on increasing the involvement of various governance bodies, strengthening performance management, and ensuring compliance with Philippine Accounting Standards. In 2007, the Company adopted several initiatives aimed toward achieving governance excellence. These include conduct of a Self-Assessment Survey by the Board of Directors and Board Committees, development of Business Contingency Plans, adoption of risk-based audit approach and independent quality review of the Internal Audit function. Ayala Land believes that these changes will streamline its existing business models, improve execution, reduce risks, and better safeguard the collective and individual interests of its diverse set of shareholders.

Ayala Land seeks to promote and enhance compliance to good corporate governance. Ayala Land requires the observance of best practices and transparency in all of its subsidiaries, including those that are not listed on the PSE and not covered by the SEC Code of Corporate Governance.

The evaluation system which was established to measure or determine the level of compliance of the Board of Directors and top level management with its Revised Manual of Corporate Governance (the "Revised Manual") 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 of Directors indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Revised Manual of the SEC.

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 makes certain the presence and adequacy of internal control mechanisms for good governance.

There were no deviations from the Revised Manual. The Company has adopted in the Revised Manual the leading practices and principles of corporate transparency, and full compliance therewith has been made since the adoption of the Revised Manual.

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

FINANCIAL INFORMATION

The following pages set forth Ayala Land's audited consolidated financial statements as at December 31, 2013, and 2012 and for each of the years in the period ended December 31, 2013.

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.

AYALA LAND, INC. AND SUBSIDIARIES
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 2nd quarter of 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2013, SVI, MZM and FCCI were dissolved.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Years ended December 31	
	2012	**2011**
REVENUE		
Real estate	₱5,850,603	₱3,607,150
Interest and investment income	502,218	35,748
Equity in net earnings of associates and joint ventures	(798,344)	(509,586)
Other income	(147,130)	328,765
	5,407,347	3,462,077

(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.

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

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

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were

acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

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

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income under "Interest and investment income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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).

Management's Use of Estimates
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:

2013

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

2012

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

2011

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

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

9. Other Current Assets

This account consists of:

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

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

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

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

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

Creditable withholding taxes are applied against income tax payable.

10. Available-for-Sale Financial Assets

This account consists of investments in:

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

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

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

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

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

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

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

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

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

11. **Land and Improvements**

The rollforward analysis of this account follows:

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

**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.

Investment in ARCH Capital Fund
In 2006, the Company and AC entered into a Shareholders' Agreement with ARCH Capital and Great ARCH Co. Limited, wherein the Company and AC committed to invest a total of US$75.0 million in a private equity fund that will explore property markets in Asia, excluding Japan and the Philippines. On the same year, an Amendment and Adherence Agreement was entered into by the same parties, together with Fine State Group Limited (Fine State) and Green Horizons Holdings Limited (Green Horizons), a wholly-owned subsidiary of First Longfield, transferring the interests of AC and the Company in ARCH Capital into Fine State and Green Horizons, respectively. Fine State and First Longfield are 100% owned Hong Kong subsidiaries of AC and the Company, respectively.

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

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

December 31, 2007. In 2009, 2010 and 2011, the Fund made a capital call where the Company's share amounted to $2.1 million, and $9.1 million and $2.2 million, respectively.

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

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

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

<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.

<u>Treasury Shares</u>
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.

<u>Retained Earnings</u>
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

<u>ALI Makati Hotel & Residences, Inc. (AMHRI) and ALI Makati Hotel Property, Inc. (AMHPI)</u>
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.

<u>TKPI and TKDC</u>
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 10^{th} year from the issue date which was in 2012.

28. Stock Options and Ownership Plans

The Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (ESOWN) covering 2.5% of the Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

ESOP

Movements in the number of stock options outstanding under ESOP are as follows:

Pre-PFRS 2 Options

	2013	**Weighted average exercise price**	2012	Weighted average exercise price	2011	Weighted average exercise price
At January 1	**6,424,068**	**₱4.23**	14,013,031	₱4.34	17,449,397	₱4.26
Exercised	**(2,552,664)**	**3.74**	(4,776,273)	4.47	(2,087,014)	3.80
Cancelled	**(3,871,404)**		(2,812,690)		(1,349,352)	
At December 31	**-**	**₱4.58**	6,424,068	₱4.23	14,013,031	₱4.34

PFRS 2 Options

	2013	**Weighted average exercise price**	2012	Weighted average exercise price	2011	Weighted average exercise price
At January 1	**11,039,666**	**₱4.23**	12,886,159	₱4.34	14,025,648	₱4.26
Exercised	**(661,685)**	**3.74**	(1,846,493)	4.47	(1,139,489)	3.80
At December 31	**10,377,981**	**₱4.58**	11,039,666	₱4.23	12,886,159	₱4.34

The options exercised had a weighted average exercise price of ₱3.74 per share or ₱12.02 million in 2013, ₱4.47 per share or ₱29.6 million in 2012 and ₱3.80 per share or ₱12.30 million in 2011.

The average fair market value of the shares at the exercise date was ₱30.00 per share or about ₱96.4 million in 2013, ₱21.98 per share or about ₱145.5 million in 2012 and ₱15.50 per share or about ₱50.1 million in 2011.

The fair values of stock options granted are estimated as at the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The fair value of stock options granted under ESOP at June 30, 2005 grant date, and the assumptions used to determine the fair value of the stock options are as follows:

Weighted average share price	₱8.36
Exercise price	₱6.75
Expected volatility	46.30%
Option life	10 years
Dividend yield	3.21%
Interest rate	12.60%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also necessarily be the actual outcome.

ESOWN

In November 2001, the Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. The Binomial Tree model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate.

For the unsubscribed shares, the employee still has the option to subscribe within seven (7) years.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2013	**WAEP**	2012	WAEP	2011	WAEP
At January 1	**28,236,728**	**₱8.28**	30,873,518	₱9.52	27,412,217	₱8.67
Granted	**15,385,695**		23,032,967		19,670,333	
Subscribed	**(18,793,408)**	**18.74**	(25,669,757)	13.41	(14,817,990)	13.63
Cancelled	**(5,315,967)**		–		(1,391,042)	
At December 31	**19,513,048**	**₱12.25**	28,236,728	₱8.28	30,873,518	₱9.52

The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. Option maturity is four years from the date of grant.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date				
	March 18, 2013	March 13, 2012	March 31, 2011	March 31, 2010	April 30, 2009
Number of unsubscribed shares	1,713,868	3,967,302	3,843,057	2,298,247	5,418,619
Fair value of each option	₱12.07	₱6.23	₱7.27	₱8.88	₱4.05
Weighted average share price	₱30.0	₱21.98	₱15.5	₱13.00	₱6.40
Exercise price	₱21.45	₱14.69	₱13.2	₱9.74	₱4.96
Expected volatility	36.25%	33.00%	36.25%	43.57%	37.45%
Dividend yield	2.78%	0.9%	1.01%	0.48%	0.85%
Interest rate	1.93%	5.70%	5.60%	5.95%	5.94%

	Grant Date			
	May 15, 2008	September 20, 2007	June 5, 2006	November 16, 2005
Number of unsubscribed shares	15,057,840	494,400	5,270,333	3,036,933
Fair value of each option	₱6.77	₱6.93	₱7.33	₱5.58
Weighted average share price	₱10.50	₱15.00	₱13.00	₱9.30
Exercise price	₱9.74	₱12.00	₱10.35	₱7.03
Expected volatility	32.04%	34.67%	46.03%	46.32%
Dividend yield	0.49%	0.41%	1.56%	0.77%
Interest rate	8.53%	6.93%	10.55%	11.30%

Total expense (included under “General and administrative expenses”) recognized in 2013, 2012 and 2011 in the consolidated statements of income arising from share-based payments amounted to ₱232.7 million, ₱248.4 million and ₱178.8 million, respectively (see Note 22).

29. Financial Assets and Liabilities

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2013 and 2012 and January 1, 2012:

	December 31, 2013		December 31, 2012		January 1, 2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value	Carrying Value	Fair Value
			(In Thousands)			
Financial Assets at FVPL	**₱13,403,497**	**₱13,403,497**	₱713,716	₱713,716	–	–
Loans and Receivables						
Cash and cash equivalents	**27,966,138**	**27,966,138**	32,122,085	32,122,085	27,285,676	27,285,676
Short-term investments	**16,728**	**16,728**	16,503	16,503	194,943	194,943
Accounts and notes receivable:						
Trade:						
Residential development	**33,337,137**	**33,374,023**	24,695,796	24,847,669	14,879,671	15,633,827
Shopping centers	**1,759,198**	**1,759,198**	1,485,342	1,485,342	1,146,563	1,146,563
Construction contracts	**1,805,951**	**1,805,951**	1,361,298	1,361,298	1,871,553	1,871,553
Corporate business	**1,231,185**	**1,231,185**	1,392,757	1,392,757	604,998	604,998
Management fees	**157,202**	**157,202**	87,693	87,693	47,267	47,267
Others	**90,933**	**90,933**	1,474,823	1,474,823	682,582	682,582
Advances to other companies	**8,525,861**	**8,525,861**	6,726,437	6,726,437	3,202,430	3,271,333
Accrued receivable	**2,460,348**	**2,460,348**	2,666,151	2,666,151	2,003,265	2,003,265
Related parties	**1,844,697**	**1,844,697**	1,398,429	1,398,429	1,576,870	1,576,870
Investment in bonds classified as loans and receivables	**1,000,000**	**1,091,291**	1,000,000	1,040,801	200,000	214,518
Receivable from employees	**230,138**	**230,210**	451,340	451,666	451,323	452,116
Total loans and receivables	**80,425,516**	**80,553,765**	74,878,654	75,071,654	54,147,141	54,985,511
AFS financial assets						
Unquoted	**261,115**	**261,115**	261,115	261,115	253,800	253,800
Quoted	**75,146**	**75,146**	211,800	211,800	451,655	451,655
Total AFS financial assets	**336,261**	**336,261**	472,915	472,915	705,455	705,455
Total financial assets	**₱94,165,274**	**₱94,293,523**	₱76,065,285	₱76,258,285	₱54,852,596	₱55,690,966
Other Financial Liabilities						
Current:						
Accounts payable	**₱47,070,269**	**₱47,070,269**	₱31,550,014	₱31,550,014	₱23,758,491	₱23,758,491
Accrued project costs	**11,983,222**	**11,983,222**	12,070,336	12,070,336	7,539,717	7,539,717
Accrued expenses	**6,920,976**	**6,920,976**	3,862,994	3,862,994	2,708,589	2,708,589
Payable to related parties	**3,835,367**	**3,835,367**	1,723,364	1,723,364	1,049,592	1,049,592
Retentions payable	**155,548**	**155,548**	1,229,474	1,229,474	303,142	303,142
Interest payable	**1,335,221**	**1,335,221**	866,670	866,670	481,813	481,813
Accrued salaries and employee benefits	**1,668,323**	**1,668,323**	521,824	521,824	342,491	342,491
Accrued rentals	**677,345**	**677,345**	801,978	801,978	733,208	733,208
Dividends payable	**129,350**	**129,350**	24,587	24,587	12,390	12,390
Short-term debt	**12,407,056**	**12,407,056**	9,779,146	9,779,146	5,306,844	5,306,844
Current portion of long-term debt	**3,542,152**	**3,542,152**	6,591,354	6,591,354	1,861,761	1,861,761
Noncurrent:						
Long-term debt	**85,952,677**	**91,300,966**	58,407,563	59,658,147	31,872,396	33,575,028
Deposits and other noncurrent liabilities	**23,346,234**	**23,350,206**	19,866,280	19,686,645	8,980,548	8,866,323
Total other financial liabilities	**₱199,023,740**	**₱204,376,001**	₱147,295,584	₱148,366,533	₱84,950,982	₱86,539,389

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables, current payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - These are investments in fund. Fair value is based on net asset values as of reporting dates.

Noncurrent accounts and notes receivables - The fair values of residential accounts and notes receivable, advances to other companies and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 13.25% as of December 31, 2013 and 2012 and January 1, 2012.

AFS quoted equity securities - Fair values are based on quoted prices published in markets.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 1.82% to 6.13%, 1.80% to 7.18% and 2.88% to 7.60% as of December 31, 2013 and 2012 and January 1, 2012, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy

As at December 31, 2013, quoted AFS financial assets have been measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Company categorizes trade receivable, investment in bonds classified as loans and receivables, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3 in December 31, 2013. The fair value of these financial instruments determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted AFS financial assets amounting to ₱75.1 million, ₱211.8 million and ₱452.0 million as of December 31, 2013, 2012 and January 1, 2012, respectively were classified under Level 1 (see Note 10).

There are no AFS financial assets and liabilities which have been classified under the Level 2 or 3 categories.

There have been no reclassifications from Level 1 to Level 2 categories as of December 31, 2013, 2012 and January 1, 2012. Transfers into Level 3 category amounted to ₱713.7 million as of December 31, 2012 (see Note 6).

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

There were no changes in the Group's financial risk management objectives and policies in 2013, 2012 and 2011.

Liquidity risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2013, 2012 and January 1, 2012 based on contractual undiscounted payments:

December 31, 2013

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	**₱72,440,400**	**₱**–	**₱**–	**₱72,440,400**
Short-term debt	**12,407,056**	–	–	**12,407,056**
Long-term debt	**3,542,152**	**31,713,565**	**54,599,082**	**89,854,799**
Deposits and other noncurrent liabilities	**–**	**23,080,110**	**13,383,292**	**36,463,402**
	₱88,389,608	**₱54,793,675**	**₱67,982,374**	**₱211,165,657**
Interest payable	**₱3,136,841**	**₱14,415,402**	**₱10,571,808**	**₱28,124,051**

December 31, 2012

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱51,784,571	₱–	₱–	₱51,784,571
Short-term debt	9,779,146	–	–	9,779,146
Long-term debt	6,591,354	23,454,622	35,160,015	65,205,991
Deposits and other noncurrent liabilities	–	19,847,369	18,911	19,866,280
	₱68,155,071	₱43,301,991	₱35,178,926	₱146,635,988
Interest payable	₱2,526,568	₱11,304,887	₱3,495,181	₱17,326,636

January 1, 2012

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱36,447,620	₱–	₱–	₱36,447,620
Short-term debt	5,306,844	–	–	5,306,844
Long-term debt	1,861,761	25,156,001	6,797,915	33,815,677
Deposits and other noncurrent liabilities	–	8,940,148	40,400	8,980,548
	₱43,616,225	₱34,096,149	₱6,838,315	₱84,550,689
Interest payable	₱1,456,433	₱5,374,001	₱1,661,064	₱8,491,498

Cash and cash equivalents, short-term investments, financial assets at FVPL and treasury bonds and treasury bills classified as AFS financial assets are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. Treasury bonds with maturity of more than a year from December 31, 2013 are marketable securities and could be sold as and when needed, prior to its maturity in order to meet the Group's short-term liquidity needs. As of December 31, 2013, undrawn loan commitments from long-term credit facilities amounted to ₱2,856.0 million.

Credit risk
Credit risk is a risk that counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Group's maximum exposure to credit risk as of December 31, 2013, 2012 and January 1, 2012 is equal to the carrying values of its financial assets, except for the following:

December 31, 2013

	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Accounts and notes receivable:				
Trade receivables:				
Residential	**₱33,337,137**	**₱60,103,703**	**₱–**	**₱33,337,137**
Shopping center	**1,759,198**	**2,867,981**	**–**	**1,759,198**
Corporate business	**1,231,185**	**1,498,524**	**–**	**1,231,185**
Receivables from employees	**230,138**	**242,198**	**–**	**230,138**
	₱36,557,658	**₱64,712,406**	**₱–**	**₱36,557,658**

December 31, 2012

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivable:				
Trade receivables:				
Residential	₱24,695,796	₱39,122,942	₱–	₱24,695,796
Shopping center	1,485,342	2,293,896	–	1,485,342
Corporate business	1,392,757	1,675,301	–	1,392,757
Receivables from employees	451,340	605,177	–	451,340
	₱28,025,235	₱43,697,316	₱–	₱28,025,235

January 1, 2012

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivable:				
Trade receivables:				
Residential	₱14,879,671	₱23,698,685	₱–	₱14,879,671
Shopping center	1,146,563	2,062,864	–	1,146,563
Corporate business	604,998	768,496	–	604,998
Receivables from employees	451,323	617,751	–	451,323
	₱17,082,555	₱27,147,796	₱–	₱17,082,555

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As of December 31, 2013 and 2012 and January 1, 2012, the aging analysis of past due but not impaired trade receivables presented per class, follow:

December 31, 2013

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential development	**₱31,718,466**	**₱255,316**	**₱227,816**	**₱184,329**	**₱247,175**	**₱717,590**	**₱1,632,226**	**₱9,555**	**₱33,360,247**
Shopping centers	**1,232,784**	**26,870**	**82,102**	**56,918**	**38,968**	**393,828**	**598,686**	**141,966**	**1,973,436**
Construction contracts	**1,149,979**	**258,300**	**31,069**	**50,204**	**13,457**	**302,942**	**655,972**	**26,546**	**1,832,497**
Corporate business	**854,699**	**96,865**	**60,151**	**37,216**	**22,831**	**161,806**	**378,869**	**–**	**1,233,568**
Management fees	**133,918**	**–**	**–**	**2,686**	**2,727**	**18,481**	**23,894**	**2,048**	**159,860**
Others	**79,980**	**4,677**	**3,344**	**125**	**2,154**	**10,647**	**20,947**	**47,747**	**148,674**
Advances to other companies	**7,962,396**	**243,630**	**5,023**	**36,092**	**7,505**	**272,797**	**565,047**	**166,678**	**8,694,121**
Accrued receivable	**2,457,391**	**1,974**	**–**	**–**	**816**	**167**	**2,957**	**–**	**2,460,348**
Related parties	**1,541,369**	**56,757**	**29,711**	**18,242**	**2,490**	**196,128**	**303,328**	**–**	**1,844,697**
Receivables from employees	**189,893**	**28,684**	**476**	**423**	**1,288**	**9,374**	**40,245**	**–**	**230,138**
Investment in bonds classified as loans and receivables	**1,000,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,000,000**
	₱48,320,875	**₱973,073**	**₱439,692**	**₱386,235**	**₱339,411**	**₱2,083,760**	**₱4,222,171**	**₱394,540**	**₱52,937,586**

December 31, 2012

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential development	₱23,571,967	₱453,167	₱197,412	₱145,846	₱92,250	₱248,709	₱1,137,384	₱9,555	₱24,718,906
Shopping centers	849,869	97,063	103,209	40,793	21,033	413,379	675,477	176,004	1,701,350
Construction contracts	665,148	255,816	241,648	162,137	16,045	20,504	696,150	18,781	1,380,079
Corporate business	1,271,686	3,552	17,720	6,077	16,342	77,380	121,071	-	1,392,757
Management fees	71,537	–	6,833	3,420	2,444	4,626	17,323	2,048	90,908
Others	1,471,981	1,346	80	–	–	2,012	3,438	56,521	1,531,940
Advances to other companies	6,203,906	54,580	47,904	34,398	9,521	376,128	522,531	61,969	6,788,406
Accrued receivable	2,601,439	177	54	714	–	63,767	64,712	–	2,666,151
Related parties	1,106,935	3,087	5,058	4,574	8,072	270,703	291,494	–	1,398,429
Receivables from employees	414,350	25,251	439	563	523	10,214	36,990	–	451,340
Investment in bonds classified as loans and receivables	1,000,000	–	–	–	–	–	–	–	1,000,000
	₱39,228,818	₱894,039	₱620,357	₱398,522	₱166,230	₱1,487,422	₱3,566,570`	₱324,878	₱43,120,266

January 1, 2012

	Neither Past Due nor Impaired	Past Due but not Impaired						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**

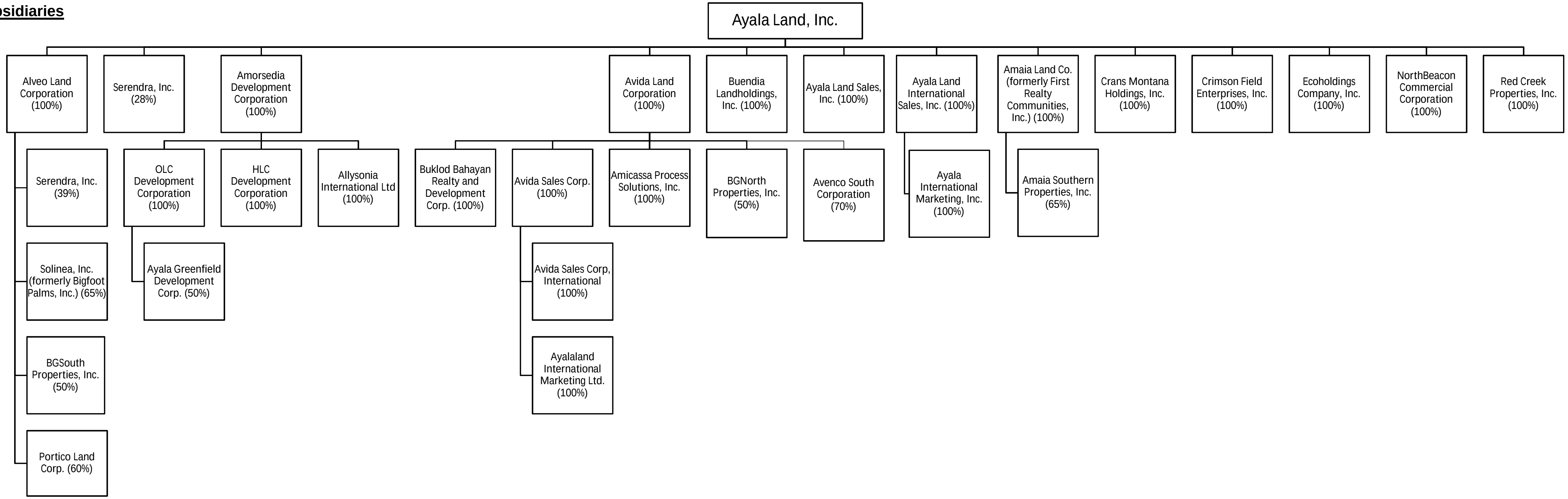
On January 24, 2014, the Company has formally signed a 50%-50% Joint Venture Agreement (JVA) with Aboitizland, Inc. for the development of a 15-hectare mixed-used community in Mandaue City, Cebu. The Company subsequently assigned 20% of its interest in the JVA with Aboitizland to CHI and 10% to CPVDC.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

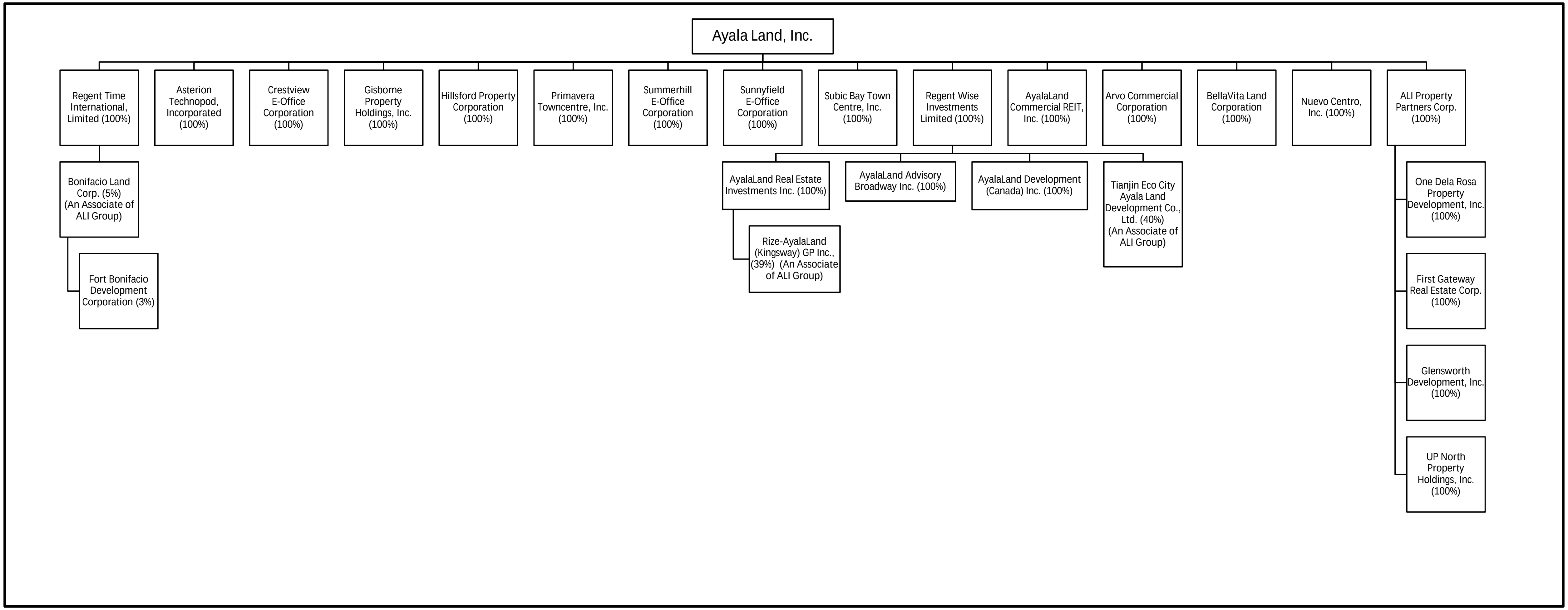
On February 21, 2014, the BOD approved the declaration of cash dividends amounting to ₱0.20711082 per outstanding common share. Further, the BOD also declared annual cash dividends of 4.74786% per year or ₱0.00474786 per share to all shareholders of the Company's unlisted voting preferred shares. These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

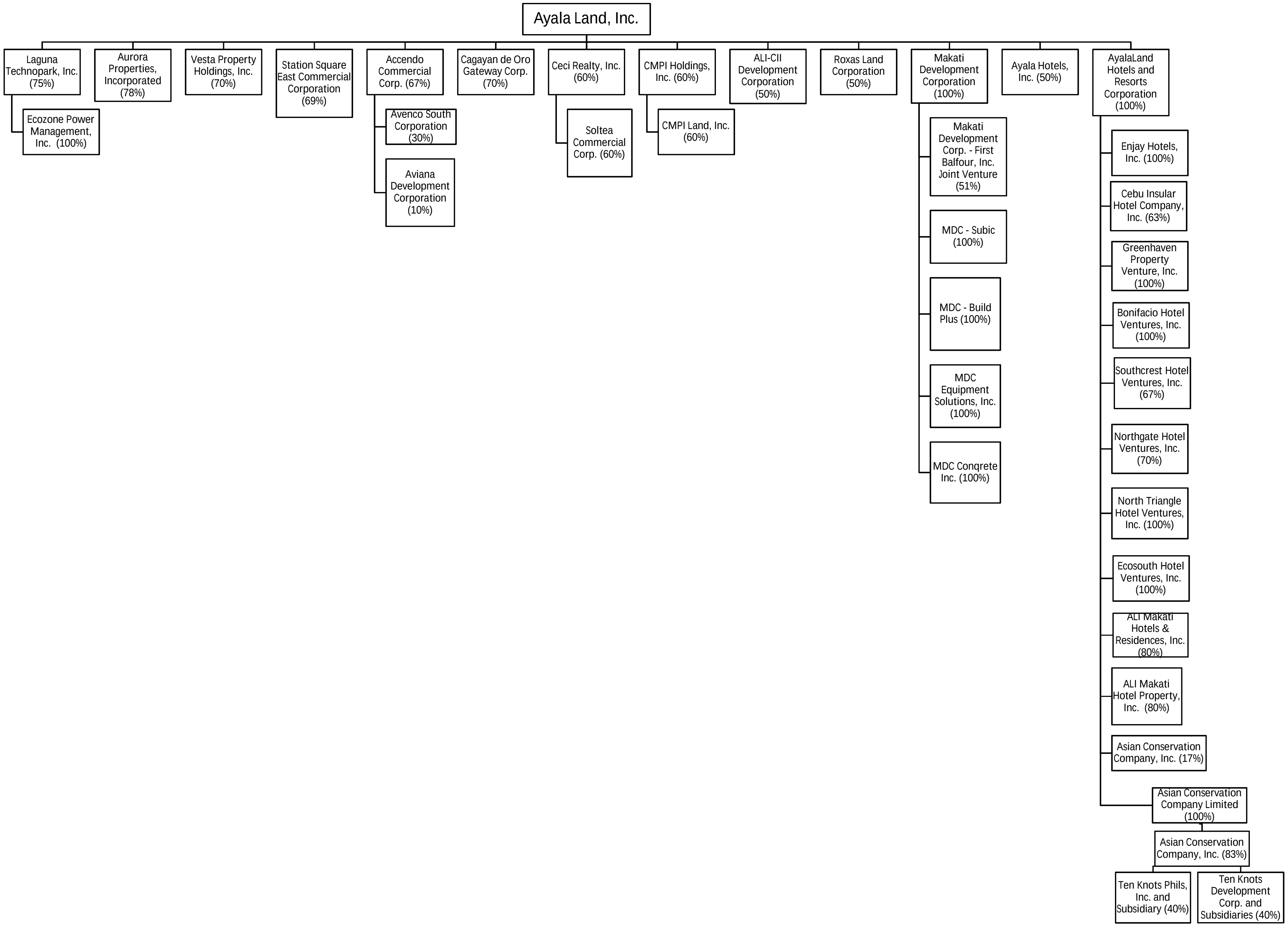
Unappropriated Retained Earnings, beginning			Php	23,615,474,829
Less adjustments:				
Treasury shares	Php	(2,127,427,858)		
Deferred tax assets		(1,002,783,094)		
Fair Value adjustment		(593,852,588)		(3,724,063,539)
Unappropriated Retained Earnings, as adjusted, beginning				19,891,411,290
Net Income 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**

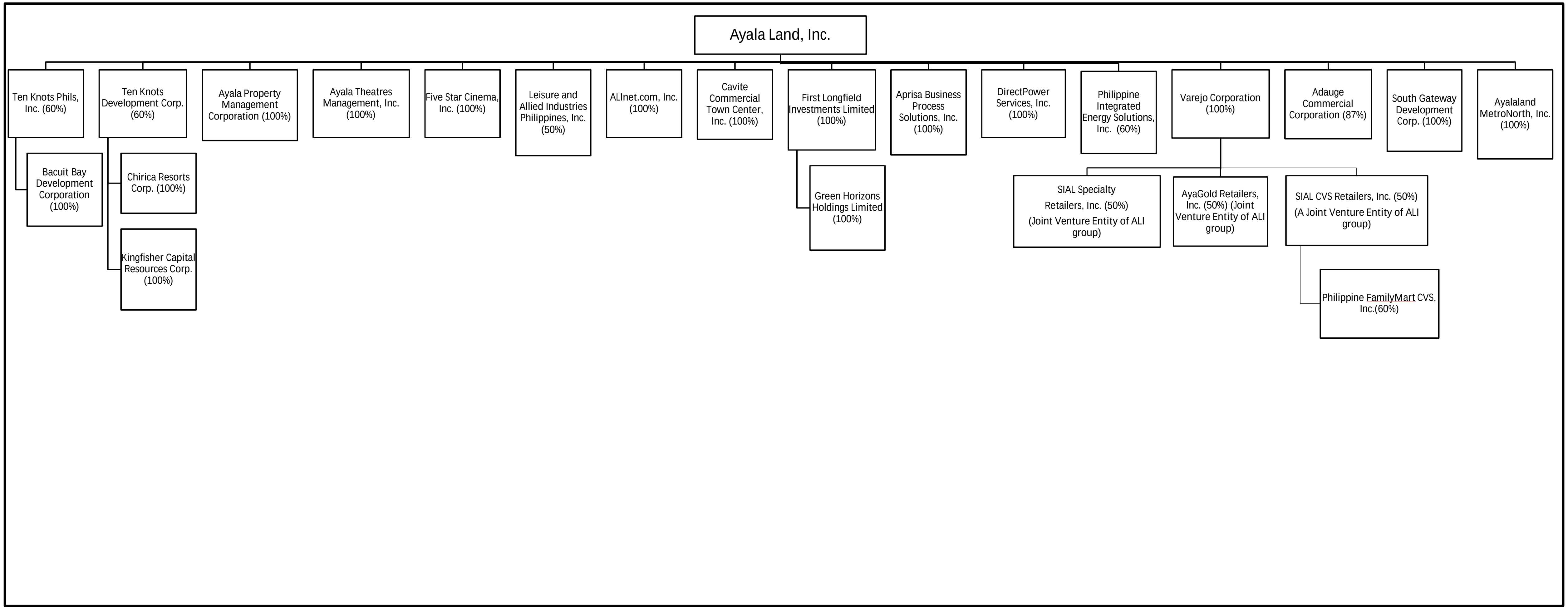
Subsidiaries

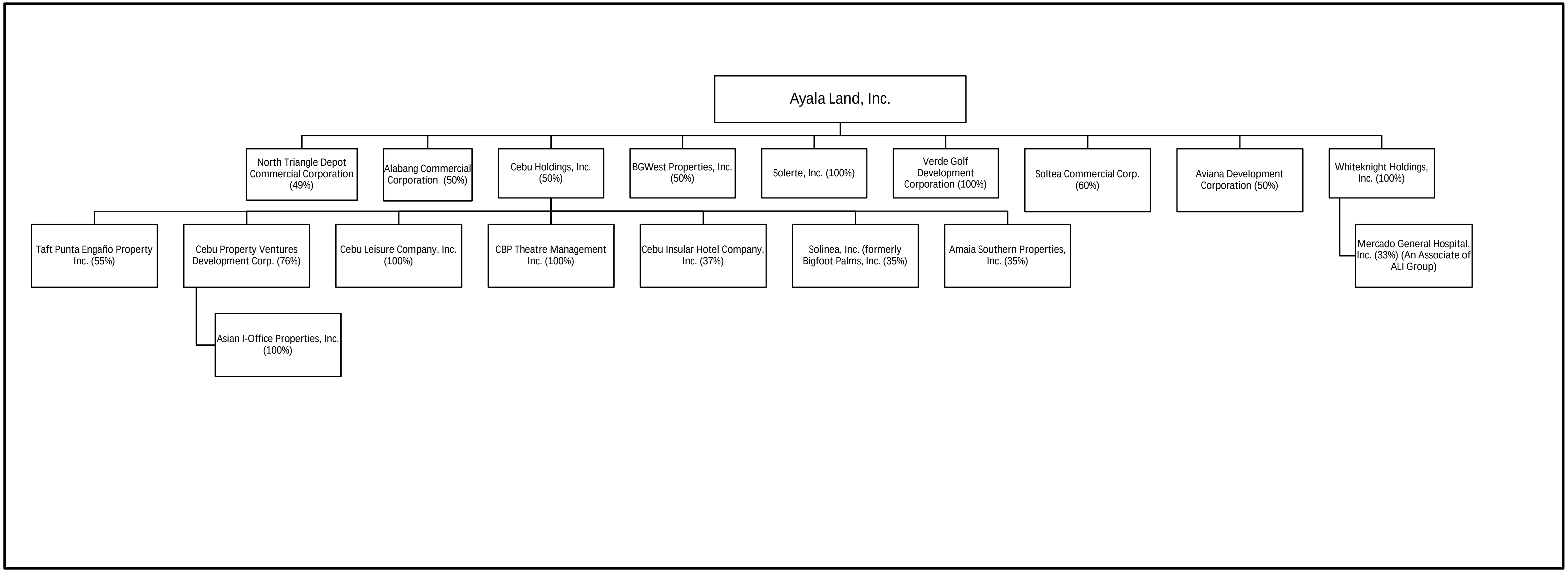




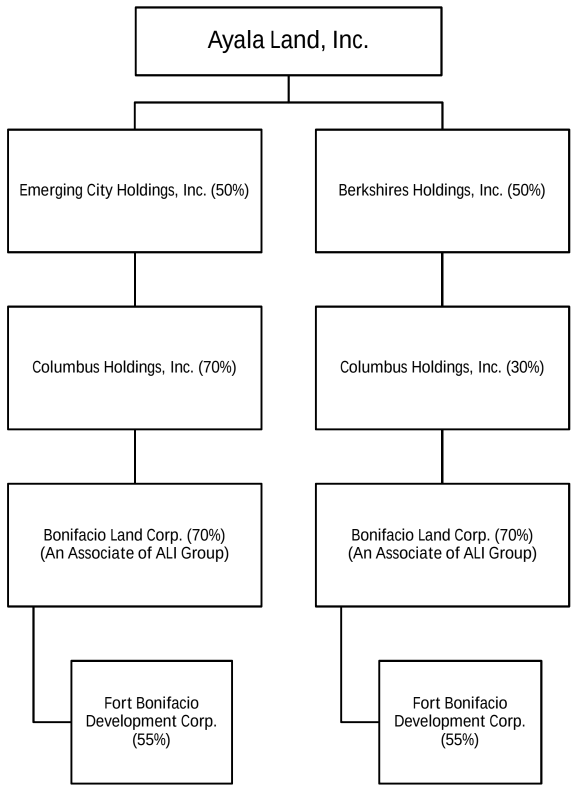
Ayala Land, Inc.
Regent Time International, Limited (100%)
Asterion Technopod, Incorporated (100%)
Crestview E-Office Corporation (100%)
Gisborne Property Holdings, Inc. (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office 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%)
AyalaLand Advisory Broadway Inc. (100%)
AyalaLand Development (Canada) Inc. (100%)
Tianjin Eco City Ayala Land Development Co., Ltd. (40%) (An Associate of ALI Group)
Rize-AyalaLand (Kingsway) GP Inc., (39%) (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%)

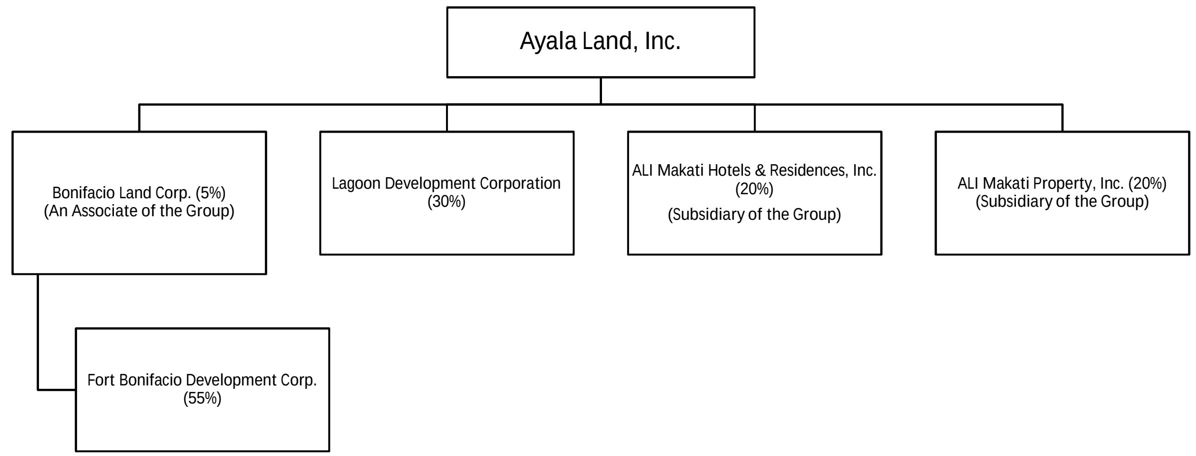

Ayala Land, Inc.
Ten Knots Phils, Inc. (60%)
Bacuit Bay Development Corporation (100%)
Ten Knots Development Corp. (60%)
Chirica Resorts Corp. (100%)
Kingfisher Capital Resources Corp. (100%)
Ayala Property Management Corporation (100%)
Ayala Theatres Management, Inc. (100%)
Five Star Cinema, Inc. (100%)
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

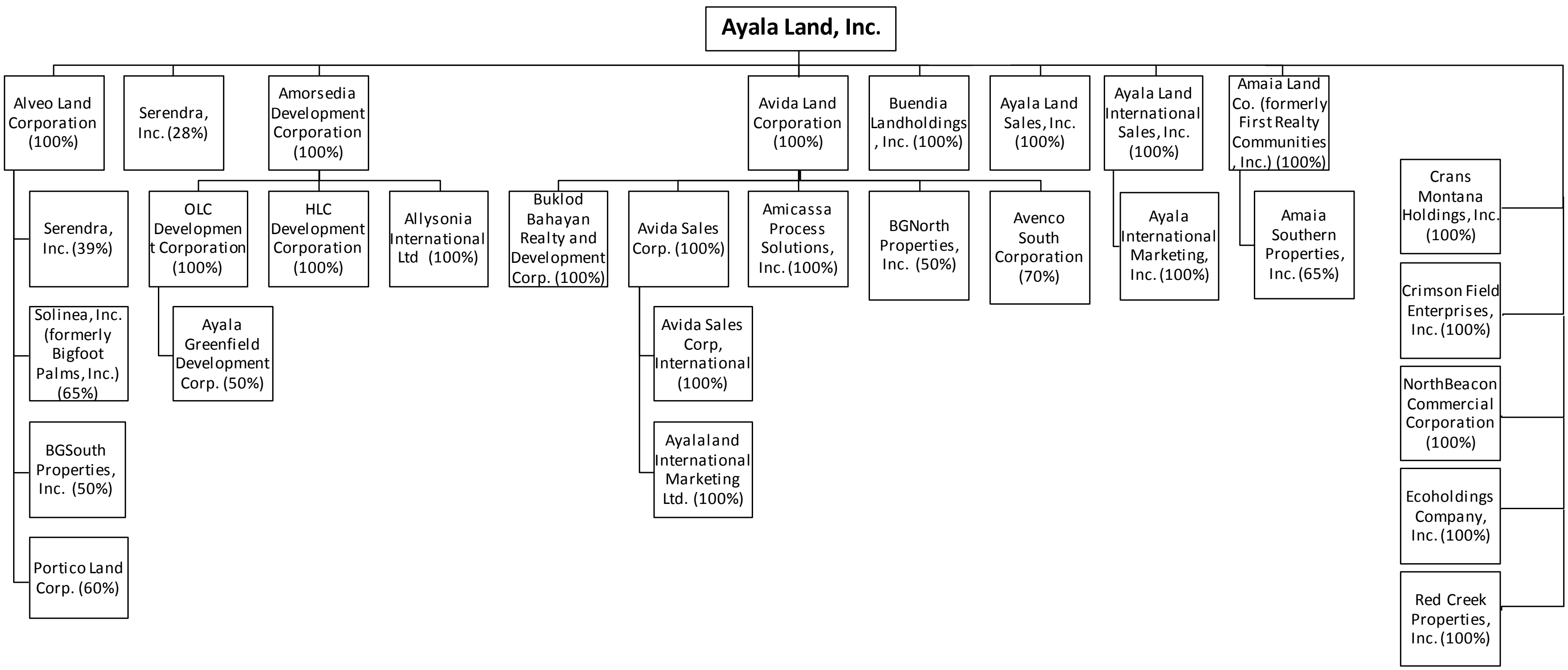
	PER PROSPECTUS	ACTUAL
Estimated proceeds from the sale of the Bonds	**1,000,000,000.00**	**1,000,000,000.00**
Less: Estimated expenses		
SEC Registration	1,325,625.00	1,325,625.00
Underwriting and Other Professional Fees	8,000,000.00	9,421,000.00
Marketing/Printing/Photocopying Costs and out-of-pocket 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**	

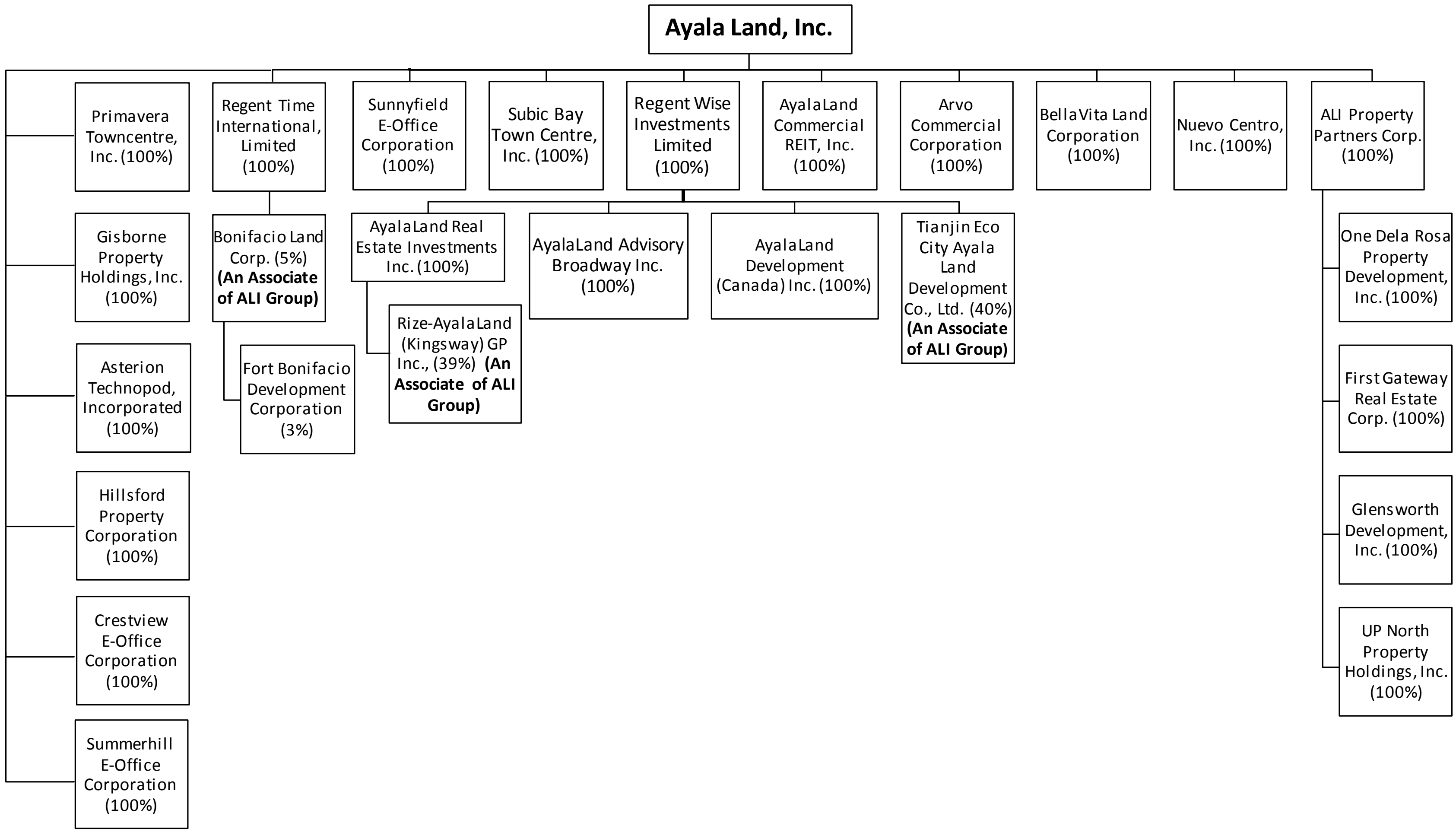
Ayala Land raised from the Bonds gross proceeds of P1.0Bn. After issue-related expenses, actual net proceeds amounted to P982.5Mn. Net proceeds were used to partially finance costs related to the acquisition of 74 hectares located in the FTI Complex, Taguig City.

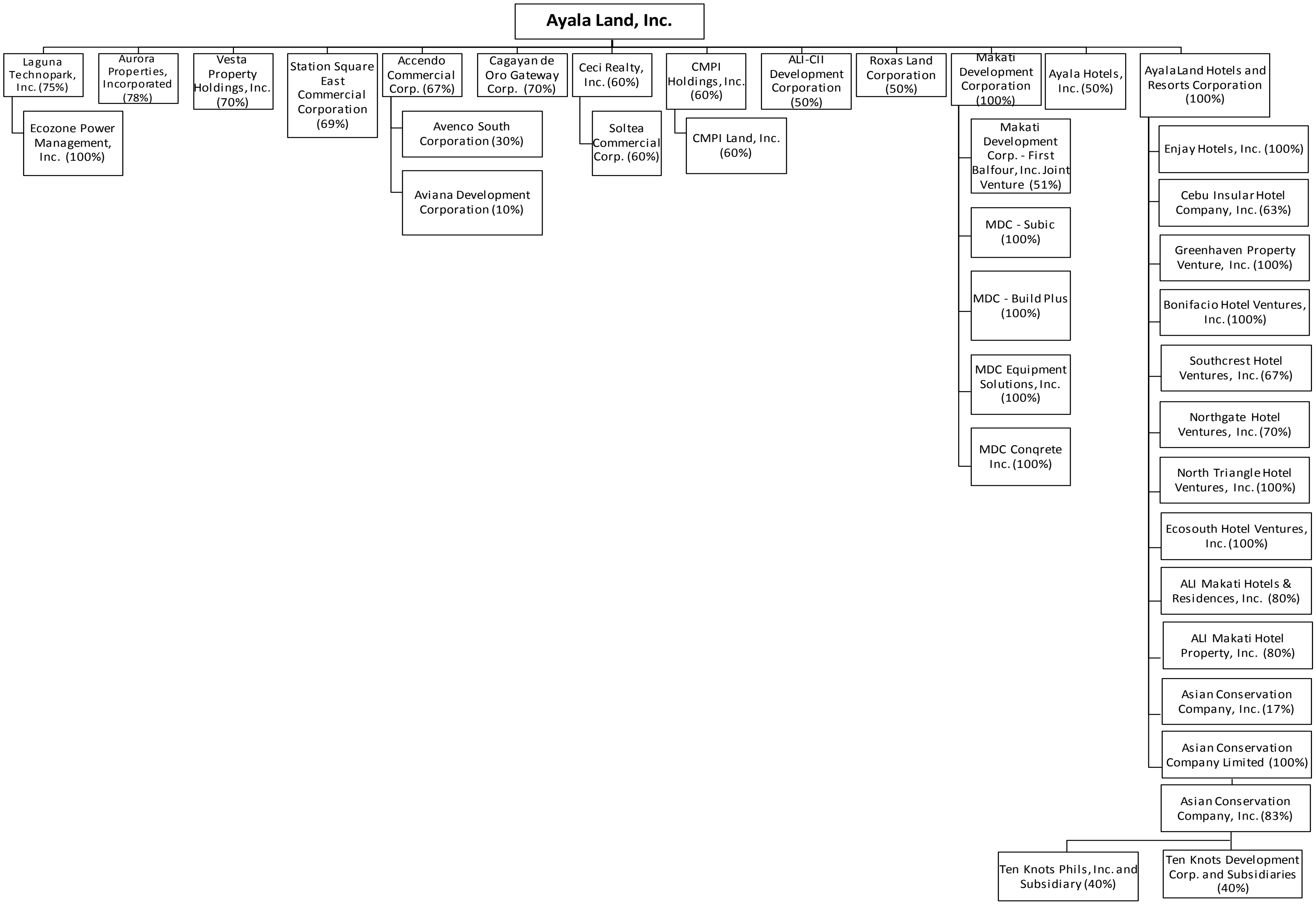
SUPPLEMENTAL INFORMATION

The following pages set forth Ayala Land's conglomerate map for the complete list of the Ayala Land subsidiaries, associates, and joint ventures.

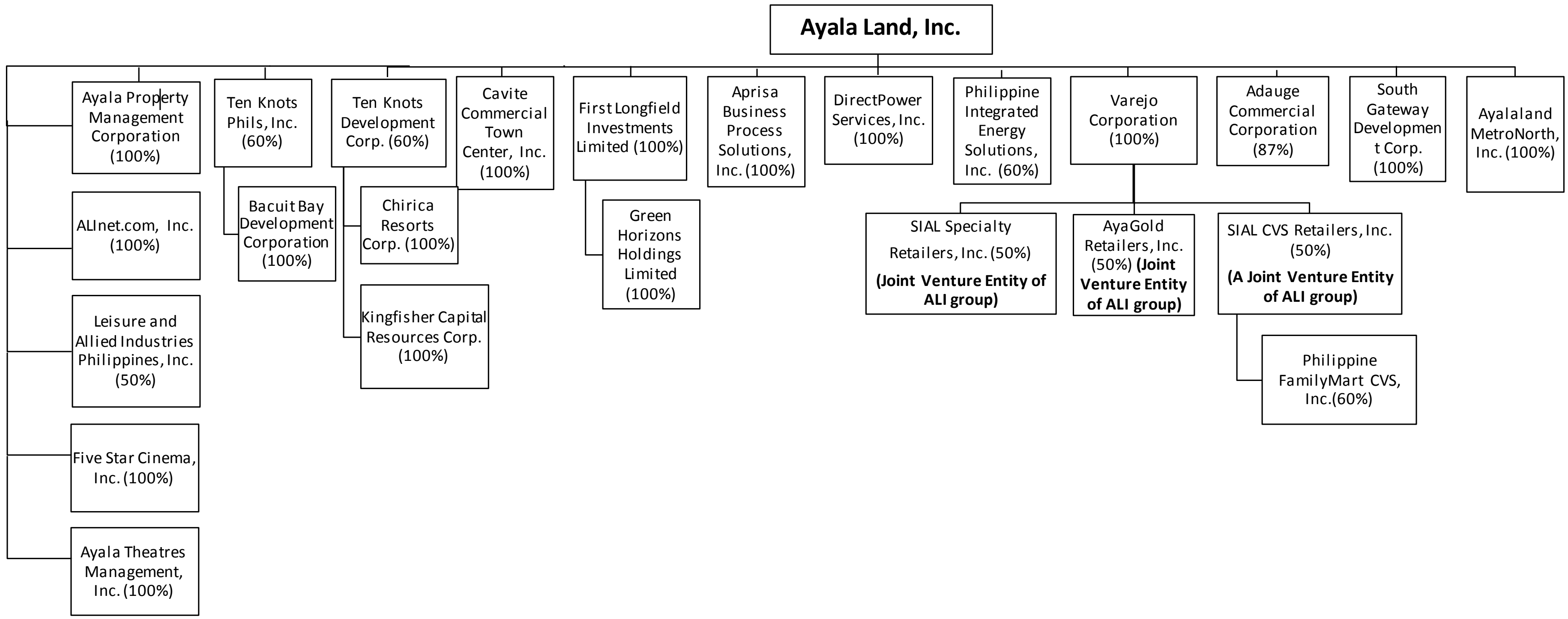
Subsidiaries



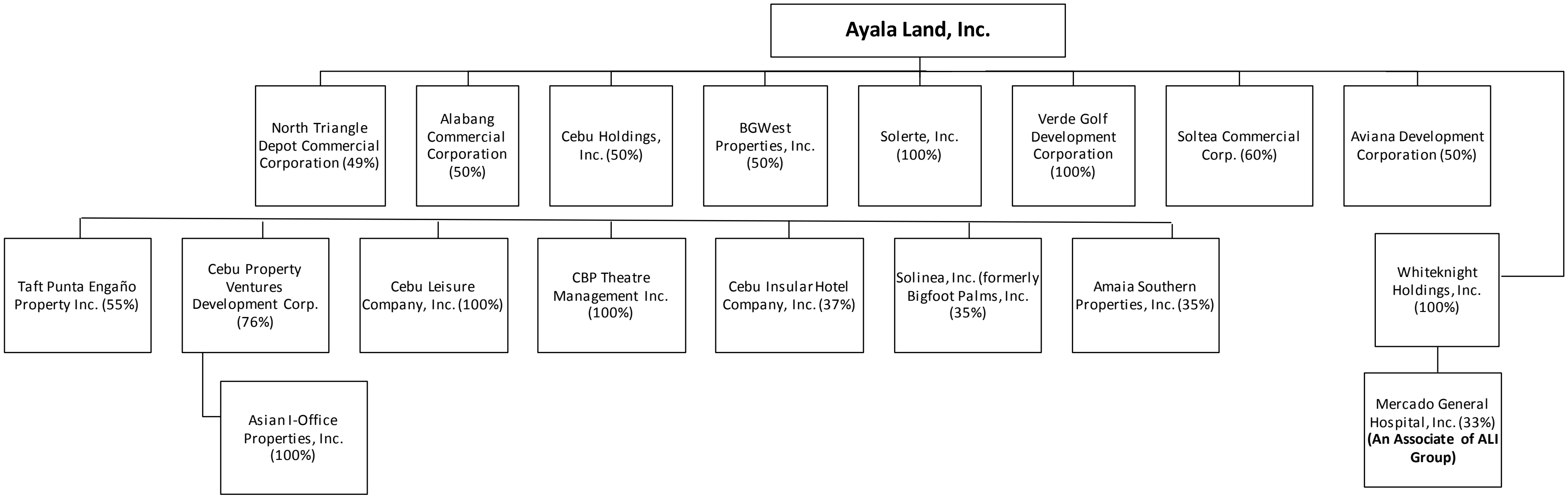

Ayala Land, Inc.
Primavera Towncentre, Inc. (100%)
Gisborne Property Holdings, Inc. (100%)
Asterion Technopod, Incorporated (100%)
Hillsford Property Corporation (100%)
Crestview E-Office Corporation (100%)
Summerhill E-Office Corporation (100%)
Regent Time International, Limited (100%)
Bonifacio Land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



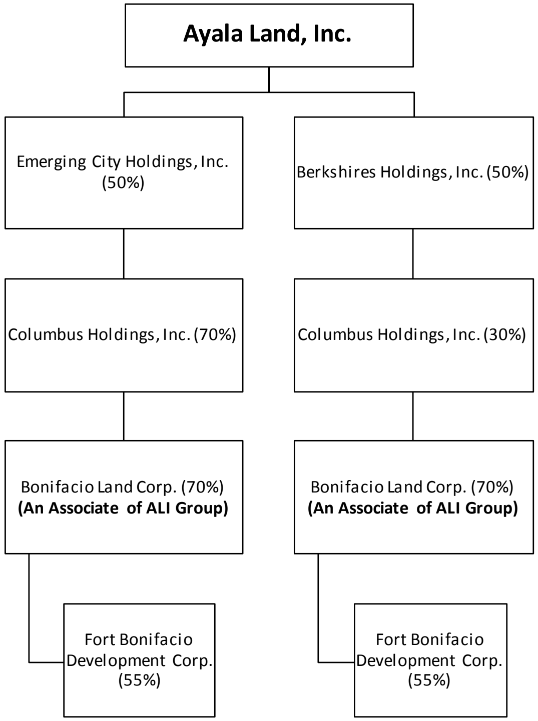
Ayala Land, Inc.
Laguna Technopark, Inc. (75%)
Ecozone Power Management, Inc. (100%)
Aurora Properties, Incorporated (78%)
Vesta Property Holdings, Inc. (70%)
Station Square East Commercial Corporation (69%)
Accendo Commercial Corp. (67%)
Avenco South Corporation (30%)
Aviana Development Corporation (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.
Ayala Property Management Corporation (100%)
ALInet.com, Inc. (100%)
Leisure and Allied Industries Philippines, Inc. (50%)
Five Star Cinema, Inc. (100%)
Ayala Theatres Management, Inc. (100%)
Ten Knots Phils, Inc. (60%)
Bacuit Bay Development Corporation (100%)
Ten Knots Development Corp. (60%)
Chirica Resorts Corp. (100%)
Kingfisher Capital Resources Corp. (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%)
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%)
Whiteknight Holdings, Inc. (100%)
Asian I-Office Properties, Inc. (100%)
Mercado General Hospital, Inc. (33%) (An Associate of ALI Group)

Direct Investments in Joint Ventures



Direct Investments in Associates