

## AMENDED PROSPECTUS



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

### **₱2.0 Billion Fixed Rate Bonds**

Issue Price: 100% of Face Value

Interest Rate: 4.000% p.a.

On September 7, 2012, Ayala Land, Inc. (“Ayala Land” or “ALI” or the “Issuer” or the “Company”) filed a Registration Statement to offer bonds in the aggregate principal amount of up to ₱3,000,000,000, to be issued in one or more tranches. An Order dated October 15, 2012 and a Certificate of Permit to Offer Securities for Sale dated October 15, 2012 were issued by the Securities and Exchange Commission to the Issuer for ₱3,000,000,000 worth of fixed rate bonds: ₱1,000,000,000 to be issued for the first tranche and ₱2,000,000,000 proposed to be issued within one year from the effectivity of the Registration Statement. The first tranche of the bonds, with an aggregate principal amount of ₱1,000,000,000, was issued by ALI pursuant to the Offer on October 31, 2012. The second tranche of the bonds, with an aggregate principal amount of ₱2,000,000,000 (the “Bonds”) shall be issued on May 31, 2013 (the “Issue Date”) or such other date as may be agreed by the Issuer and BPI Capital Corporation (“BPI Capital”), China Banking Corporation (“China Bank”), and PNB Capital & Investment Corporation (“PNB Capital”) (each an “Underwriter” or “Joint Underwriter” and collectively, the “Joint Underwriters”).

The Bonds shall have a term of three (3) years from the Issue Date, and will bear interest on its principal amount from and including the Issue Date at a fixed rate of 4.000% per annum. 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.

The Bonds will be represented by a certificate of indebtedness to be issued and registered in the name of BPI Asset Management and Trust Group as trustee for the Bondholders. The beneficial interests of each Bondholder in the Bonds will be shown on and recorded in, and transfer thereof will be effected through, the Register of Bondholders maintained by Standard Chartered Bank (Philippine Branch) Securities Services & Trust Department as registrar. The Bonds shall be issued in denominations of ₱50,000 each, as a minimum, in multiples of ₱10,000 thereafter, and subject to a maximum subscription of ₱5,000,000 per Eligible Bondholder. The Bonds will not be listed or traded in any organized exchange.

The Bonds shall be offered to the public (the “Offer”) at 100% of face value through the Joint Underwriters subject to certain conditions in the Underwriting Agreement executed between the Issuer and the Joint Underwriters.

The Bonds shall constitute the direct, unconditional, unsubordinated, and unsecured obligations of Ayala Land and shall at all times rank *pari passu* and ratably without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and 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 debts and all of its debts that are evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

The date of this Amended Prospectus is May 2, 2013

Issue Manager  
**BPI CAPITAL CORPORATION**

Joint Underwriters  
**BPI CAPITAL CORPORATION**  
**CHINA BANKING CORPORATION**  
**PNB CAPITAL & INVESTMENT CORPORATION**

Ayala Land expects to raise gross proceeds amounting to ₱3,000,000,000 from the first and second tranches of the offering. For the first tranche, the Company received net proceeds of ₱982,512,198.87, after deducting fees, commissions and expenses relating to its issuance. For the second tranche, the net proceeds are estimated to be at least ₱1,972,800,000.00 after deducting fees, commissions and expenses relating to the issuance of the Bonds. Proceeds of the Offer are intended to be used for general corporate purposes (see “Use of Proceeds”). The Joint Underwriters shall receive a fee of ₱12,500,000.00 for the second tranche of the Bonds issued. Such amount shall be inclusive of underwriting and selling fees.

On September 7, 2012, Ayala Land filed a Registration Statement with the Securities and Exchange Commission (“SEC”), in connection with the offer and sale to the public of debt securities with an aggregate principal amounting to ₱3,000,000,000 constituting the Offer. The SEC issued an order on October 15, 2012 rendering the Registration Statement effective, and a corresponding permit to offer securities for sale was issued.

Ayala Land confirms that this Amended 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 Amended 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 Amended Prospectus. Ayala Land, however, has not independently verified any such publicly available information, data or analysis.

Neither the delivery of this Amended 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 Amended Prospectus is accurate as of any time subsequent to the date hereof. The Joint Underwriters do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Amended Prospectus.

The contents of this Amended Prospectus are not to be considered as legal, business or tax advice. Each prospective purchaser of the Bonds receiving a copy of this Amended Prospectus acknowledges that he has not relied on the Joint Underwriters in his investigation of the accuracy of such information or in his investment decision. Prospective purchasers should consult their own counsel, 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 Joint 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 Joint Underwriters.

Ayala Land is organized under the laws 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 IS TRUE AND CURRENT.

AYALA LAND, INC.

By:



**ANTONINO T. AQUINO**  
President and Chief Executive Officer



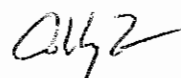
REPUBLIC OF THE PHILIPPINES)  
CITY OF MAKATI )S.S.

Before me, a notary public in and for the city named above, personally appeared Antonino T. Aquino with Passport No. XX4033426 issued at Manila on June 25, 2009, who was identified by me through competent evidence of identity to be 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.

Witness my hand and seal this MAY 02 2013 day of \_\_\_\_\_ 2013 at Makati City.

Doc No. 231  
Book No. 48  
Page No. 11  
Series of 2013.

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



**ASHLEY LENE N. TAN**  
Notary Public - Makati City  
Appt. No. M-567 until December 31, 2013  
Attorney's Roll No. 57037  
PTR No. 3671497MC; 01-02-2013; Makati City  
IBP Lifetime Roll No. 08315  
MCLE Compliance No. IV-0016498; 4/10/2013  
3<sup>rd</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

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## FORWARD-LOOKING STATEMENTS

This Amended 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 Amended 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 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 Amended 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 Amended 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 Amended 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 20% of the total issued and outstanding capital stock of such corporation, or the right to elect at least 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 accomplished by applicants for the application to purchase the Bonds.

**“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.

**“Ayala Land Property”** refers to any property being offered for sale by ALI or its Affiliates.

**“Banking Day”** or **“Business Day”** shall be used interchangeably to refer to a day on which commercial banks are open for business in Makati City, Metro Manila, except Saturday and Sunday.

**“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 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 the Trust Agreement between the Issuer and the Trustee, and the Custodianship and Registry Agreement between the Issuer and the Custodian and the Registrar, and the Paying Agency Agreement between the Issuer and the Paying Agent, all dated May 2, 2013.

“**Bondholder**” shall mean a Filipino individual or resident foreign individual whose name appears, at any time, as a holder of the Bonds in the Register of Bondholders.

“**Bonds**” shall refer to the second tranche of the three (3) year fixed rate bonds in the aggregate principal amount of ₱2,000,000,000 to be issued by Ayala Land, which shall mature on May 31, 2016.

“**Bonus Credit**” shall refer to a discount given to the Bondholder in case such Bondholder decides to apply the aggregate face value and accrued interest (net of applicable withholding taxes) of the Bonds owned by such Bondholder as full or partial downpayment for an Ayala Land Property. It is equivalent to ten percent (10.0%) of the aggregate principal amount of the Bonds held by the Bondholder, and not the Net Selling Price of the selected Ayala Land Property, at the time of downpayment application, subject to the Maximum Bonus Credit.

“**BPI**” shall refer to Bank of the Philippine Islands, an affiliate of the Ayala Group.

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

“**BSP**” refers to *Bangko Sentral ng Pilipinas*.

“**China Bank**” shall refer to China Banking Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 9/F CBC Building, 8745 Paseo de Roxas corner Villar Streets, Makati City.

“**Eligible Bondholders**” shall refer to Filipino individuals or resident foreign individuals.

“**IAS**” shall mean International Accounting Standards.

“**Issue Date**” shall mean May 31, 2013 or such other date as may be agreed upon between the Issuer and the Joint Underwriters.

“**Issue Manager**” shall refer to BPI Capital.

“**Joint Underwriters**” shall refer to BPI Capital, China Bank, and PNB Capital, being the Joint 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 the holders of more than 50% of the principal amount of the Bonds then outstanding.

**“Master Certificate of Indebtedness”** shall mean the certificate to be issued by the Issuer evidencing and covering the aggregate principal amount of the Bonds issued on the Issue Date.

**“Maturity Date”** shall mean the date falling on the third anniversary of 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.

**“Maximum Bonus Credit”** shall refer to the lower of (a) ten percent (10%) of the aggregate principal amount of the Bonds held by the Bondholder and (b) Bonus Credit limit equivalent to a percentage of the Net Selling Price of the selected Ayala Land Property, which shall be 2% for the BellaVita brand, 4% for the Amaia brand, 4% for the Avida brand, 4% for the Alveo brand, and 1% for the Ayala Land Premier brand.

**“Net Selling Price”** shall refer to the list price of the Ayala Land Property, less applicable discounts (other than the Bonus Credit); it excludes the value-added tax and other applicable charges on the sale of property.

**“Offer”** shall mean the issuance of Bonds by the Issuer under the Conditions as herein contained.

**“Offer Period”** shall refer to the period, commencing within two (2) days from the date of the SEC written confirmation that the SEC Certificate of Permit to Offer Securities for Sale dated October 15, 2012 is still effective up to 3:00 pm on May 24, 2013 or such other date as may be agreed by the Issuer and the Joint Underwriters, during which the Bonds shall be offered to the public.

**“PAS”** shall mean Philippine Accounting Standards.

**“Paying Agent”** shall refer to SCB, acting through its Securities Services & Trust Department, 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.

**“PDEX”** shall refer to the Philippine Dealing and Exchange Corporation.

**“Pesos,” “P”** 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.

**“PNB Capital”** shall refer to PNB Capital & Investment Corporation, a corporation duly licensed and authorized to operate in the Philippines, with address at the 9<sup>th</sup> Floor PNB Financial Center, Pres. Diosdado Macapagal Blvd., Pasay City.

**“PSE”** shall refer to the Philippine Stock Exchange.



**“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 Custodianship and Registry Agreement.

**“Registrar”** and **“Custodian”** shall refer to SCB, acting through its Securities Services & Trust Department, being the registrar and custodian for the Bonds appointed by the Issuer and Trustee under the Custodianship and Registry Agreement.

**“Registry Confirmation”** shall refer to the written advice to be sent by the Registrar to Bondholders.

**“SCB”** shall refer to Standard Chartered Bank (Philippine Branch), a corporation duly licensed and authorized to operate in the Philippines, with address at 6788 Ayala Avenue, Makati City, Philippines.

**“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.

**“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 Joint Underwriters or of the Bondholders.

**“Trustee”** shall refer to BPI, acting through its Asset Management and Trust Group, being trustee for the Bonds appointed by the Issuer under the Trust Agreement.

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

## EXECUTIVE SUMMARY

This summary highlights information contained elsewhere in this Amended Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective purchasers should read the entire Amended Prospectus carefully, including the section entitled “Risk Factors and Other Considerations” and the financial statements and the related notes to those statements included in this Amended 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 70.08% as of March 22, 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, conversion to Ayala Land Common B Shares of the entire ₱3 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 of December 31, 2012, equity attributable to equity holders of Ayala Land amounted to ₱82.3 billion. It is listed on the PSE with a market capitalization of ₱363.7 billion as of December 31, 2012, based on Ayala Land’s common share closing price of ₱26.45 as of that date.

As of December 31, 2012, foreign equity ownership of Ayala Land constituted 5,577,549,243 common shares and 609,383,477 voting preferred shares for an aggregate equivalent of 23.07% of total outstanding common shares and voting preferred shares.

Ayala Land is the largest real estate conglomerate 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. 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") (social enterprise community). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, led the marketing, sales and channel development activities and marketing initiatives of the Company's residential brands abroad. ALISI also signed up marketing partners in various jurisdictions. Avida has a representative office in Abu Dhabi. Ayalaland International Marketing, Inc., a subsidiary of ALISI, has an office in San Francisco and Avida Sales Corp. has established Ayalaland International Marketing, Ltd, and Ayalaland International Marketing, SRL for its offices in London and Italy, respectively.

Ayala Land's total consolidated revenues for the period January to December 31, 2012 amounted to ₱54.5 billion, up by 23% compared to ₱44.2 billion for 2011. Net income attributable to equity holders of Ayala Land rose by 27% to ₱9.0 billion for the period January to December 31, 2012 from ₱7.1 billion in the same period in 2011.

As of December 31, 2012, Ayala Land spent ₱71.3 billion for project and capital expenditures, 138% more than the ₱29.9 billion spent during the same period in 2011. Residential development accounted for 23% of total, with shopping centers and corporate business accounting for 10% and 2% of total capital expenditures, respectively. Of the total capex spent in 2012, 57% was used for various landbanking activities.

As of December 31, 2012, Ayala Land had ₱231.2 billion in total assets. Ayala Land's cash and cash equivalents and short-term investments stood at ₱28.6 billion with a current ratio of 1.40:1 as of such date. Bank debt-to-equity ratio was at 0.84:1, while net debt-to-equity ratio was at 0.49:1.

### **New Projects**

As of December 31, 2012, Ayala Land launched 23,487 residential units, including around 10,000 units in the economic housing segment under its subsidiary Amaia Land Corporation ("Amaia") and 1,400 units in the newly launched BellaVita Land Corp. ("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 subsidiaries Primavera Town Centre, Inc. and ARVO Commercial Corp.

Part of this expansion is the Centrio Mall in Cagayan de Oro, which opened last year with an additional 29,500 square meters (sqm) of GLA, as well as Harbor Point in Subic, with 27,400 sqm of GLA.

The Company also continued to expand its Business Process Outsourcing (“BPO”) office building footprint with the opening of 60,000 sqm of BPO office GLA in various locations across the country – including the Glorietta 1&2 BPOs and the eleventh building in U.P.-AyalaLand TechnoHUB.

Last year, Philippine 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 will adjust 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 49 hectares of land in the Makati CBD and another 11.3 hectares in BGC as of December 31, 2012, Ayala Land is a primary beneficiary of the country’s asset reflation story. Providing significant upside is the 2,070-hectare NUVALI in Canlubang being developed as a showcase for environmental, economic and social sustainability.

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 2012, 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 ninth consecutive year in 2012 in its annual Real Estate Awards. Last year, Ayala Land was also named as the Executive Leadership Team of the Year in the 2012 Asia CEO Awards. Asiamoney also awarded Ayala Land as the Best Large Cap Corporate of the Year and named Ayala Land President and CEO Mr. Antonino Aquino as the Best Executive in the Philippines last year.

For the three-year period ending December 31, 2012, Ayala Land has delivered an average Total Shareholder Return of 32.6% per annum.

### **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 new partners, such as the Shangri-La and Kingdom Hotels 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.

### **Ayala Land's Principal Shareholder**

As of March 22, 2013, Ayala Land's principal shareholder, Ayala Corporation, effectively owns 70.08% of Ayala Land and is one of the Philippines' oldest conglomerates, with diversified operations in real estate and hotels, telecommunications, financial services, water distribution, electronics manufacturing, information technology and automotive dealerships.

### **Ayala Land's Principal Executive Offices**

Ayala Land's executive offices are at the 31<sup>st</sup> 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 Amended Prospectus and, in particular, prospective purchasers should evaluate the specific factors set forth under the section "Risk Factors and Other Considerations" of this Amended 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 over-all 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.

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 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 Amended Prospectus. The summary financial data for the three years ended December 31, 2012, 2011, and 2010 were derived from Ayala Land's audited financial statements, including the notes thereto, which are included in this Amended Prospectus. Ayala Land's financial statements are prepared in compliance with PFRS.

(in million Pesos, except EPS)	For the period ended December 31 AUDITED		
	2012	2011	2010
<b>Income Statement Data</b>			
Revenues	54,525	44,206	37,813
Costs and expenses			
Real estate	33,439	27,941	24,947
General & administrative	4,443	3,480	3,188
Interest and other charges	3,416	2,075	1,818
Subtotal	41,298	33,496	29,953
Income before income tax	13,226	10,710	7,860
Provision for income tax	2,892	2,619	1,572
Net Income	10,334	8,091	6,288
Net Income attributable to:			
Equity holders of Ayala Land	9,038	7,140	5,458
Non-controlling interests	1,296	951	830
	10,334	8,091	6,288
Unappropriated retained earnings, Beginning	37,926	32,757	28,570
Cash dividends	(2,902)	(1,971)	(1,271)
Net Income attributable to equity holders of Ayala Land	9,038	7,140	5,458
Unappropriated retained earnings, end	44,061	37,926	32,757
Earnings per share (diluted)*			
Income before income associated with	₱0.68	₱0.55	₱0.41

	<b>For the period ended December 31 AUDITED</b>		
<b>(in million Pesos, except EPS)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
noncurrent assets held for sale attributable to equity holders of Ayala Land, Inc.			
Net income attributable to equity holders of Ayala Land	₱0.68	₱0.55	₱0.41

\*Based on weighted average number of common shares (in thousands): 13,327,986 as of December 31, 2012; 12,953,322 as of December 31, 2011; and 13,038,594 as of December 31, 2010

	<b>As of December 31</b>		
<b>(in million Pesos)</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Balance Sheet Data</b>			
Cash and cash equivalents <sup>1</sup>	28,612	24,795	19,453
Land and improvements	47,710	18,737	16,052
Investment properties	36,496	30,490	25,745
Total assets	231,232	154,542	121,675
Long-term debt-current portion	6,387	1,557	2,328
Long-term debt (net of current portion)	53,781	28,258	15,753
Total liabilities	139,687	82,499	56,205
Equity:			
Attributable to equity holders of Ayala Land	82,315	62,357	56,857
Non-controlling interests	9,230	9,686	8,613
Total equity	91,545	72,043	65,470

<sup>1</sup>Includes Cash and Cash Equivalents and Short-term Investments

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

	End 2012	End 2011	End 2010
Current ratio <sup>1</sup>	1.40:1	1.65:1	1.67:1
Debt-to-equity ratio <sup>2</sup>	0.84:1	0.55:1	0.37:1
Net debt(cash)-to-equity ratio <sup>3</sup>	0.49:1	0.15:1	0.02:1

	FY 2012	FY 2011	FY 2010
Return on assets <sup>4</sup>	5.4%	5.9%	5.5%
Return on equity <sup>5</sup>	12.6%	11.8%	10.1%

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt (includes short-term debt, long-term debt and current portion of long term debt) / stockholders' equity attributable to equity holders of Ayala Land, Inc.

<sup>3</sup> Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity attributable to equity holders of Ayala Land, Inc.

<sup>4</sup> Total Net income / average total assets

<sup>5</sup> Total Net income / average stockholders' equity attributable to parent



## SUMMARY OF THE OFFER

Issuer	:	Ayala Land, Inc.
Instrument	:	The second tranche of Homestarter Bonds in the aggregate principal amount of ₱2,000,000,000 (the “Bonds”).
Use of Proceeds	:	The net proceeds of the issue shall be used by Ayala Land for general corporate purposes.
Issue Price	:	100% of face value.
Offer Period	:	To start within two (2) days from the date of the SEC written confirmation that the SEC Certificate of Permit to Offer Securities for Sale dated October 15, 2012 is still effective up to 3:00 pm on May 24, 2013, or such other date as may be agreed by the Issuer and the Joint Underwriters.
Issue Date	:	May 31, 2013 or such other date as may be agreed by the Issuer and the Joint Underwriters.
Form and Denomination of the Bonds	:	The Bonds will be represented by a Master Certificate of Indebtedness to be issued and registered in the name of the Trustee for the Bondholders. The beneficial interest to the Bonds shall be shown on and recorded in the Register of Bondholders maintained by the Registrar.
Eligible Bondholders	:	Filipino individuals or resident foreign individuals.
Subscription	:	The Bonds shall be issued in scripless form in denominations of ₱50,000 each, as a minimum, and in multiples of ₱10,000 thereafter.
Maximum Subscription	:	₱5,000,000 per Bondholder. For purposes of determining compliance with the maximum subscription limitation, the amount of the Bonds applied to be purchased by an Eligible Bondholder in his individual capacity, and in conjunction with another Eligible Bondholder ( <i>i.e.</i> , under an “and/or” account), respectively, shall be aggregated.
Interest Rate	:	Fixed interest rate of 4.000% per annum. Interest shall be computed on the basis of a 360-day year consisting of 12 months of 30 days each, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days. 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.

Maturity Date : May 31, 2016

Payout Options : The principal amount of the Bonds held by a Bondholder and accrued interest thereon, net of applicable withholding taxes, shall be paid on Maturity Date either, at the option of the Bondholder, (a) by application to the full or partial downpayment for the purchase by the Bondholder of an Ayala Land Property (as defined below) of the Bondholder's choice, or (b) by way of delivery of the lump sum amount to the Bondholder, as follows:

- (a) Option 1: The Bondholder may opt to apply the sum of the principal amount of the Bonds plus accrued interest thereon, net of applicable withholding taxes, to the full or partial downpayment (to the extent of such sum of the principal amount of the Bonds plus accrued interest thereon, net of applicable withholding taxes) for the new acquisition of a subdivision lot, house and lot or condominium unit listed in the section "Description of the Bonds – Manner of Payment of Bond Principal and Accrued Interest" of the Amended Prospectus (an "Ayala Land Property") of the Bondholder's choice in any subdivision or condominium project of the Issuer or any corporation directly or indirectly controlled by the Issuer, subject in any case to availability at the time of payment application.

The sum of the principal amount of the Bonds held by the Bondholder and accrued interest thereon, but net of the applicable withholding tax, shall be applied to the full or partial downpayment of the purchase price of the Bondholder's selected Ayala Land Property. If such sum can only be applied to the partial downpayment of an Ayala Land Property, the Bondholder can only avail of Option 1 if such Bondholder is able to fully pay, or obtain firm bank or in-house financing on terms acceptable to the Issuer, based on the independent credit evaluation of the party or third party providing the financing, for the portion of the purchase price of the Ayala Land Property not covered by the aforesaid sum at the time of the downpayment application. However, if the said sum exceeds the amount of the downpayment for the purchase price of the Bondholder's selected Ayala Land Property, the excess shall be applied towards the payment of the remaining balance of the purchase price.

Under this Option 1, the Bondholder would be entitled to a Bonus Credit (as defined below), in addition to the 4.000% interest on the Bonds.

The bonus credit is a discount given to the Bondholder in case such Bondholder decides to apply the aggregate face value and accrued interest (net of applicable withholding taxes) of the Bonds owned by such Bondholder as full or partial downpayment for an Ayala Land Property (the "Bonus Credit"). It is equivalent to ten percent (10.0%) of the aggregate principal amount of the Bonds held by the Bondholder, and not the Net Selling Price (as defined below) of the selected Ayala Land Property, at the time of downpayment application, subject to the Maximum Bonus Credit (as defined below). For the avoidance of doubt, for purposes of computing the value-added tax to be assessed and collected on the sale of the property, the Bonus Credit shall be treated as a discount from the Net Selling Price.

The Maximum Bonus Credit refers to the lower of (a) ten percent (10%) of the aggregate principal amount of the Bonds held by the Bondholder and (b) the Bonus Credit limit equivalent to a percentage of the Net Selling Price of the selected Ayala Land Property, which shall be 2% for the BellaVita brand, 4% for the Amaia brand, 4% for the Avida brand, 4% for the Alveo brand, and 1% for the Ayala Land Premier brand.

The Bonus Credit may not be availed of in conjunction with other Ayala Group employee discounts, as may be applicable.

The net selling price refers to the list price of the Ayala Land Property, less applicable discounts (other than the Bonus Credit); it excludes the value-added tax and other applicable charges on the sale of property (the "Net Selling Price").

The Bondholder shall be given 60 days from Maturity Date to select an Ayala Land Property to which to apply the total value of the Bond. Interest (at the same rate of 4.000% per annum) shall accrue on the principal amount of the Bonds during such 60-day period. In the event no Ayala Land property is selected on or before the end of the 60<sup>th</sup> day from Maturity Date, the total principal plus interest earned until the 60<sup>th</sup> day after Maturity Date, net of applicable withholding taxes, shall be credited back to the Bondholder's Designated Account on (and no earlier than) the third (3<sup>rd</sup>) Banking Day after the said 60<sup>th</sup> day (the "Final Settlement Date"). A Bondholder may not, for the duration of the 60-day period, redeem any amount on any date except on Final Settlement Date.

The Bondholder may assign to a corporation at least fifty-

one percent (51%) of the voting stock of which is owned by the said Bondholder the principal amount of the Bonds plus accrued interest thereon and any applicable Bonus Credit for the purpose of applying the total amount to the full or partial downpayment of an Ayala Land Property. Any taxes, fees, costs or expenses arising from or related to such an assignment shall be for the account of the Bondholder.

- (b) Option 2: The Bondholder may opt to have the principal plus accrued interest, net of applicable withholding taxes, remitted to the Bondholder's Designated Account on Maturity Date. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment or any interest, on the succeeding Business Day if the Maturity Date is not a Business Day.

No later than 90 days prior to Maturity Date, a letter together with reply forms requesting the Bondholders to express their preferred payout option shall be sent to all Bondholders. In the event no reply is received by the Trustee from the Bondholder on or before 30 days prior to Maturity Date, then it shall be assumed that the payout preference of the Bondholder is Option 1.

The Bondholder shall be assisted by, and coordinate with, the relevant Joint Underwriter in the settlement of all matters relating to both Options after Maturity Date.

Early Downpayment Application : At any time prior to Maturity Date, the Bondholder may opt, provided that notice of such intent is given by the Bondholder to the developer of the Ayala Land Property of the Bondholder's choice on the date that the reservation is made, to apply the sum of the aggregate principal amount of the Bonds held by it plus accrued interest thereon, but net of applicable withholding tax, as full or partial downpayment of an Ayala Land Property of the Bondholder's choice, such application of payment to be made to the extent of such sum. In such an event, the Bonds registered in such Bondholder's name shall be deemed terminated and cancelled. However, the Bondholder can avail of this Early Downpayment Application only if (a) such Bondholder is able to fully pay, or obtain firm bank or in-house financing, subject to the independent credit evaluation of the party providing the financing and on terms acceptable to the Issuer, for the portion of such purchase price not covered by the aforesaid sum at time of payment application; and (b) the Ayala Land Property of the Bondholder's choice is available on the effectivity of the Early Downpayment Application. If the sum of the aggregate principal amount of the Bonds held by the

Bondholder, plus accrued interest thereon, net of applicable withholding tax exceeds the amount of the downpayment for the purchase price of the Bondholder's selected Ayala Land Property, the excess shall be applied towards the payment of the remaining balance of the purchase price.

Should the Bondholder exercise this option, after the lapse of 180 days from the Issue Date, the Bondholder would be entitled to a Bonus Credit, in addition to the 4.000% interest on the Bonds subject to the terms and conditions in Clause 4 in the section "Description of the Bonds" of this Amended Prospectus.

For the avoidance of doubt, should the Bondholder exercise this option within 180 days from the Issue Date, the Bondholder shall not be entitled to receive any Bonus Credit.

Taxation

: Except: (1) tax on a Bondholder's interest income on the Bonds which is required to be withheld by the Issuer, and (2) capital gains tax, documentary stamp tax and other taxes on the transfer of Bonds (whether by assignment or donation), if any and as applicable, which are for the account of the Bondholder, all payments of principal and interest will 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 the Republic of the Philippines or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration, or any similar tax or other taxes and duties, including interest and penalties. 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, and will not gross-up the payments of interest on the principal amount of the Bonds so as to cover any 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.

Documentary stamp tax on the original issue of the Bonds shall be for the Issuer's account.

A Bondholder who is exempt from or is not subject to final withholding tax on interest income may claim such exemption by submitting to the relevant Joint Underwriter, together with its Application to Purchase: (i) pertinent documents evidencing its tax-exempt status, duly certified as "true copy" by the relevant office of the BIR; (ii) a letter addressed to the Issuer and the Registrar, requesting both the Issuer and the Registrar not to make any withholding on said Bondholder's interest income; and (iii) an indemnity undertaking wherein the Bondholder shall undertake to indemnify the Issuer for any tax or charge that may later on be assessed against the Issuer on

account of the non-withholding of tax on the Bond held by such Bondholder.

The tax treatment of a Bondholder may vary depending upon such person's particular situation and certain Bondholders may be subject to special rules not discussed above. This summary does not purport to address all the aspects that may be important and/or relevant to a Bondholder. Bondholders are advised to consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability and effect of any state, local or foreign tax laws.

Credit Rating : Since the Bond issuance does not amount to more than 25% of the Issuer's net worth, it is exempted from the requirement of being rated by a rating agency accredited by the SEC in accordance with SRC Rule 12-1(6)(c)(iii).

Title and Transfer : 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.

A partial transfer of title, interest and rights of the Transferring Bondholder may be allowed, provided that holdings of both the Transferring Bondholder and the transferee Bondholder shall not, at any time, go below Fifty Thousand Pesos (₱50,000) each.

Any and all taxes, as well as settlement fees and other charges (other than registration fees which shall be paid by the Issuer) that may be imposed by the Registrar in respect of any transfer or change of beneficial title to the Bonds, including the settlement of documentary stamps taxes, if any, shall be for the account of the transferring Bondholder, unless such cost is otherwise assumed by the transferee in writing under the terms of the relevant transfer agreement executed between the transferring Bondholder and its transferee.

## Summary of the Offer

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

Trustee : Bank of the Philippine Islands – Asset and Management Trust Group

The Trustee shall act as legal title holder of the Bonds in trust and for the benefit of the Bondholders under the terms and conditions of the Trust Agreement between the Issuer and the Trustee.

Custodian, Registrar and Paying Agent : Standard Chartered Bank (Philippine Branch) – Securities Services & Trust Department

The Custodian shall receive the Master Certificate of Indebtedness for safekeeping for and on behalf of the Bondholders. The Registrar shall establish and maintain the Register of Bondholders and shall act as transfer agent in respect of the Bonds, and determine amounts due to Bondholders for principal and interest, net of applicable withholding tax. The Paying Agent 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 of the Registrar.

# 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 Amended 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 Amended Prospectus, in deciding whether to invest in the Bonds. This Amended 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 Amended 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 over-all 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 and Residential Sales*

With respect to land and condominium 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, Santierra, and Elaro in NUVALI, and units such as Park Terraces in Makati and The Suites in BGC continued to record significant performances, resulting in the 32% increase in take up for the Ayala Land Premier brand in 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 increased 69% from 2011 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.

#### (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 38% increase over the previous year.

(d) Economic Housing

Ayala Land entered the economic housing segment last year 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 (4) million national housing backlog belong to this segment. As a result, sales from Amaia grew 68% in 2012 from the previous year.

(e) Socialized Housing

Ayala Land formally launched its first socialized housing project last year 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 and the opening of the Subic-Clark-Tarlac toll expressway;
- Rehabilitation of the South Luzon Expressway 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

*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 however 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 2012 is estimated at 3.5%, with average lease rates expected to rise 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 building 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, 4.6 million foreign tourists visited the Philippines as 2012, which was 18% 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 of December 31, 2012, ₱44.8 billion of Ayala Land's consolidated short-term and long-term debt of ₱69.4 billion was 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 sections "Management's Discussion and Analysis of Financial Condition" and "Results of Operation" of this Amended 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 sections "Management's Discussion and Analysis of Financial Condition" and "Results of Operations" and "Description of the Bonds" of this Amended 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 while its ₱4.0 billion Bonds and ₱15.0 billion Bonds issued on August 2008 and April 2012, respectively, have been rated or have maintained a rating of PRS Aaa with Philippine Rating Services Corporation. 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 will be effectively subordinated to other debt**

The Bonds 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.

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 of December 31, 2012, ₱44.8 billion of Ayala Land's consolidated short-term and long-term debt of ₱69.4 billion was 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.

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 0.49:1.00 as of December 31, 2012. 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. 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.

#### **10. 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'état*, 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 with a tight margin over second running candidate Senator Mar Roxas.

While the current administration is pursuing rapid, broad-based and sustainable economic growth, there is no assurance that the future administrations will adopt economic 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. As a result, real gross domestic product (GDP) growth surged to 6.6% in 2012 versus a 3.9% growth registered in the same period last year as a result of strong personal consumption and recovery in government spending, amid uncertainties in the global financial markets, particularly in



Europe. Should economic conditions of the Philippines deteriorate, such deterioration could affect Ayala Land's financial condition and results of operations.

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*

Due to the nature of the bonds, the bonds shall not be traded or listed in any organized exchange.

### *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 Amended 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.

### 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 second tranche offer and sale of ₱2,000,000,000 of fixed rate bonds, Ayala Land expects that the net proceeds of the Offer shall amount to approximately ₱1,972,800,000.00 after fees, commissions and expenses. Proceeds from the Offer are intended to be used for general corporate purposes

Net proceeds from the Offer are estimated as follows:

	Total
Estimated proceeds from the sale of the Bonds	₱2,000,000,000.00
Less: Estimated expenses	
Underwriting and Other Professional Fees	
Issue Management Fee	2,000,000.00
Underwriting Fee	12,500,000.00
Legal Fee – Joint Underwriters	500,000.00
Marketing/Printing/Photocopying Costs and out-of-pocket expenses	2,200,000.00
Documentary Stamp Tax	10,000,000.00
	27,200,000.00
Estimated net proceeds to Ayala Land, Inc.	<b>₱1,972,800,000</b>

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

1. Bank of the Philippine Islands - Asset Management and Trust Group as trustee to the Bondholders annual retainer fee of ₱240,000; and
2. Registry maintenance annual fee of 0.02% of total holdings or minimum of ₱250,000.

All other expenses incurred in connection with the issuance of the Bonds, including documentary stamp tax, fees of the Trustee, Registrar, and Paying Agent, and the Joint 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 from the Offer will be used by Ayala Land to partially support its consolidated project and capital expenditure program for 2013. At the start of this year, Ayala Land has budgeted a total of ₱65.6 billion for consolidated project and capital expenditures to be spent this year, broken down as follows:

<b>Residential Developments</b> Ongoing and new residential projects such as Park Terraces, Garden Towers, ParkPoint Residences; Ayala Westgrove Heights; Nuvali projects (Luscara, Elaro, Santierra, Mirala, Avida Parkway Settings, Avida Settings, Avida Village and Avida Estates,); Other Makati projects (Kroma and Lerato); Marquee Residences; Leisure projects (Kasa Luntian and Anvaya); Avida Towers in Alabang & Muntinlupa, Centera, Bonifacio Global City, Taft Manila, New Manila, San Lorenzo, Sucat, Tagaytay and Cebu; Amaia Scapes in Cavite, Pampanga and Lipa; Amaia Skies in Cubao, Sta. Mesa & Avenida; Amaia Steps in Novaliches & Sucat; and BellaVita in Gen. Trias & Alaminos	<b>41%</b>
<b>Landbank Management</b> Strategic areas around Metro Manila and around the country	<b>30%</b>
<b>Shopping Centers</b> Ayala Center Redevelopment, UPIS Mall, Solenad, Fairview Mall, Sta. Ana Mall, community malls and Fiesta Malls	<b>16%</b>
<b>Visayas-Mindanao</b> Shopping centers expansion and residential developments such as Amara, 1016 Residences and Sedona Residences in the Visayas and Mindanao region	<b>6%</b>
<b>Hotels &amp; Resorts Businesses</b> Seda Hotels and resort expansion	<b>3%</b>
<b>Support Services</b> District Cooling System and Energy Services for various ALI projects	<b>3%</b>
<b>Corporate Business</b> BPO offices which include UP North Science and Technology Park Expansion, UPIS Office, Makati BPO and Fairview BPO	<b>1%</b>
	<b>100%</b>

Ayala Land intends to launch about 31,199 residential units, 33% more than the 23,487 units launched in 2012. ALI also plans to aggressively expand its leasing portfolio as it continues to work on its programmed two (2) million sq.m. and 750,000 sq.m. expansion of its shopping centers and business process outsourcing (BPO) office leasable area, respectively, over the next 5 years. ALI will likewise grow its hotels and resorts business as it aims to quadruple the number of keys in its portfolio by 2015.

In addition to the net proceeds from the Offering, project and capital expenditures will be funded from existing cash and cash from operations, pre-selling, additional borrowings and proceeds from the sale of non-core assets.

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.

## **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

On September 7, 2012, Ayala Land filed a Registration Statement with the SEC, in connection with the offer and sale to the public of debt securities in the aggregate principal amount of up to ₱3,000,000,000 of Fixed Rate Bonds, of which an aggregate principal amount of ₱1,000,000,000 was issued for the first tranche with the succeeding tranche/s of the Bonds to be issued under a shelf registration within one (1) year from the date hereof. The SEC issued an order on October 15, 2012 rendering the Registration Statement effective, and a corresponding permit to offer securities for sale was issued. On October 31, 2012, the Issuer issued an aggregate principal amount of ₱1,000,000,000. This second tranche of the Bonds, which is part of the shelf registration, is being issued within one (1) year from the date hereof the first tranche.

BPI Capital, China Bank, and PNB Capital, pursuant to an Underwriting Agreement with Ayala Land dated May 2, 2013, (the "Underwriting Agreement"), have agreed to act as the Joint Underwriters for the Offer and as such, distribute and sell the Bonds at the Issue Price, and have also committed to underwrite up to ₱ 2,000,000,000 on a firm basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses.

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

BPI Capital	₱1,000,000,000
China Bank	500,000,000
PNB Capital	500,000,000
<b>Total</b>	<b>₱2,000,000,000</b>

There is no arrangement for the Joint 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 Joint Underwriters are duly licensed by the SEC to engage in underwriting or distribution of the Bonds. The Joint 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 Joint 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. BPI Capital has no arrangement with Ayala Land whereby BPI Capital has the right to designate or nominate a member or members of Ayala Land's board of directors.

### SALE AND DISTRIBUTION

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

## **OFFER PERIOD**

To start within two days from the date of the SEC written confirmation that the SEC Certificate of Permit to Offer Securities for Sale dated October 15, 2012 is still effective up to 3:00 pm on May 24, 2013 or such other date as may be agreed by the Issuer and the Joint Underwriters.

## **APPLICATION TO PURCHASE**

Investors may purchase the Bonds during the Offer Period by submitting to a Joint Underwriter properly completed Applications to Purchase, together with the other documents listed in Clause 1(B) in the section “Description of the Bonds” of this Amended Prospectus.

Completed Applications to Purchase and corresponding payments must reach the relevant Joint Underwriter prior to the end of the Offer Period, or such earlier date as may be specified by the Joint Underwriters. Acceptance by the Joint Underwriters of the completed Application to Purchase shall be subject to the availability of the Bonds and the acceptance by the Issuer. In the event that payment of the subscription is not made two (2) Business Days prior to Issue Date, the Application to Purchase shall be automatically canceled and any prior acceptance of the Application to Purchase is deemed revoked.

## **PURCHASE LIMITS**

A minimum purchase of ₱50,000 shall be considered for acceptance. Purchases in excess of the minimum shall be in multiples of ₱10,000. The maximum purchase for each Eligible Bondholder shall be ₱5,000,000. For purposes of determining compliance with the maximum subscription limitation, the amount of the Bonds applied to be purchased by an Eligible Bondholder in his individual capacity, and in conjunction with another Eligible Bondholder (*i.e.*, under an “and/or” account), respectively, shall be aggregated.

## **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 Underwriter 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 purchase the Bonds at any time in the open market or by tender or by contract at any price without any obligation to make pro-rata purchases from all Bondholders. Bonds so purchased shall be redeemed and cancelled and may not be re-issued.

## **SECONDARY MARKET**

The Bonds will not be listed or traded in any organized exchange.

## **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.

The beneficial interest 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.

## **TERM OF APPOINTMENT**

The engagement of the Joint Underwriters shall subsist so long as the SEC Permit remains valid, unless otherwise terminated by the Issuer and the Joint Underwriters.

## 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 and the Registrar. The terms and conditions set out in this section will, subject to amendment, be set out in the Trust Agreement between the Issuer and the Trustee.*

The issue of up to ₱3,000,000,000.00 aggregate principal amount of three (3) year fixed rate bonds (the "Aggregate Bonds") was authorized by a resolution of the Board of Directors of Ayala Land dated August 24, 2012. The first tranche of the Aggregate Bonds was issued on October 31, 2012 with an aggregate principal amount of ₱1,000,000,000. The second tranche of the Aggregate Bonds will be issued with an aggregate principal amount of ₱2,000,000,000 (the "Bonds"). The Bonds shall be issued on May 31, 2013 (the "Issue Date") or such other date as may be agreed by the Issuer and BPI Capital Corporation ("BPI Capital"), China Banking Corporation ("China Bank"), and PNB Capital & Investment Corporation ("PNB Capital") (each an "Underwriter" or "Joint Underwriter" and collectively, the "Joint Underwriters").

The Bonds shall be constituted by a Trust Agreement executed on May 2, 2013 (the "Trust Agreement") between the Issuer and Bank of the Philippine Islands – Asset Management and Trust Group (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 Agreement). 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 Agreement and the Custodianship and Registry Agreement executed on May 2, 2013 (the "Custodianship and Registry Agreement") among the Issuer, the Custodian, and the Registrar. 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) in multiples of Ten Thousand Pesos (₱10,000) thereafter, with a maximum principal amount of Five Million Pesos (₱5,000,000) for each Eligible Bondholder. The Bonds shall mature on May 31, 2016, unless earlier redeemed by the Issuer.

Standard Chartered Bank (Philippine Branch) Securities Services & Trust Department has no interest in or relation to Ayala Land which may conflict with its roles as Custodian, Registrar and Paying Agent for the Offer. Bank of the Philippine Islands – Asset Management and Trust Group has no interest in or relation to the Ayala Land which may conflict with the performance of its functions as Trustee.

Copies of the Trust Agreement, the Custodianship and Registry Agreement and the Paying Agency Agreement will be 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 Agreement and are deemed to have notice of those provisions of the Custodianship and Registry Agreement and the Paying Agency Agreement applicable to them.

## 1. Eligible Bondholders and Documentary Requirements

### (a) Eligible Bondholders

Only Filipino individuals or resident foreign individuals are entitled to purchase the Bonds (each an “Eligible Bondholder”); foreign individuals shall be required to submit their respective alien certificates of registration as proof of residence in the Philippines; provided, however, that the Underwriter shall, notwithstanding the foregoing, be considered an Eligible Bondholder for purposes of purchasing Bonds that remain unsold as of 5:00 p.m. on the last day of the Offer Period; provided further that, in connection with the said purchase, the Underwriter shall not be subject to the maximum subscription of Pesos: Five Million (P5,000,000) per Eligible Bondholder.

### (b) Documentary Requirements

Each Eligible Bondholder shall submit the following documents to any Joint Underwriter:

#### A. Documents to be provided by Eligible Bondholders

##### ***General Requirements***

- (1) Duly completed and executed Application to Purchase\*;
- (2) Securities Account Agreement or equivalent document;
- (3) Specimen signature card\*;
- (4) Client Suitability Test;
- (5) Customer Information Sheet or equivalent document;

\*For existing clients of BPI Capital, China Bank, and PNB Capital, the Eligible Bondholder needs to submit only items 1 and 3 above.

##### ***Personal Identification Documents***

- (6) Photocopy of at least one valid and subsisting identification card issued by an official authority:
  - i. For clients of BPI Capital and China Bank, any one of the following: (a) passport; (b) driver’s license; (c) Social Security System identification card; (d) Government Service and Insurance System (GSIS) e-Card; (e) Professional Regulatory Commission identification card; (f) Company Identification cards issued by private entities or institutions registered with or supervised or regulated by BSP, SEC or Insurance Commission (IC); and

- ii. For clients of PNB Capital, any two photo-bearing identification cards issued by (a) the Philippine government, (b) its political subdivisions and instrumentalities, (c) government owned and controlled corporations, and (d) private entities registered with or supervised or regulated by BSP, SEC or IC, which are as follows: (1) passport (including foreign passports); (2) driver's license; (3) Professional Regulatory Commission identification card; (4) National Bureau of Investigation clearance; (5) police clearance; (6) postal identification card; (7) voters identification card; (8) tax identification number; (9) barangay certificate; (10) GSIS e-Card; (11) Social Security System identification card; (12) senior citizen card; (13) Overseas Workers Welfare Administration identification card; (14) Overseas Filipino Worker identification card; (15) seaman's book; (16) immigrant certificate of registration; (17) government office and government owned and controlled corporation (AFP, HDMF) identification card; (18) certification from the National Council for the Welfare of Disabled Persons identification card (19) Department of Social Welfare and Development certification; (20) Integrated Bar of the Philippines identification card; and (21) ncompany identification cards issued by private entities registered with or supervised by the BSP, SEC or IC.
- iii. In the case of foreign individual Bondholders, Alien Certificate of Registration.

## 2. 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) each, as a minimum, and in multiples of Ten Thousand Pesos (₱10,000) thereafter, with a maximum subscription of Five Million Pesos (₱5,000,000). For purposes of determining compliance with the maximum subscription limitation, the amount of the Bonds applied to be purchased by an Eligible Bondholder in his individual capacity, and in conjunction with another Eligible Bondholder (*i.e.*, under an "and/or" account), respectively, shall be aggregated.

The aggregate principal amount of the Bonds issued on Issue Date will be represented by a Master Certificate of Indebtedness to be issued and registered in the name of the Trustee for the benefit of the Bondholders. Not later than

12:00 noon of the Issue Date, the Issuer shall deliver to the Trustee for the authentication by the latter the duly executed certificate of indebtedness for the Bonds, which certificate, the Trustee shall promptly turnover for safekeeping by the Custodian.

(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.

### 3. Interest

The Bonds shall bear interest on its principal amount from and including the Issue Date, at a fixed rate of 4.000% per annum. Interest shall be computed on the basis of a 360-day year consisting of 12 months of 30 days each, in the case of an incomplete month, the number of days elapsed on the basis of a month of 30 days. 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.

The Bonds will cease to bear interest from and including the Maturity Date, unless: (a) payment of principal and interest then outstanding, as defined in Clause 4, net of applicable withholding taxes, is not made or is improperly withheld or refused, in which case Clause 14 below will apply; or (b) Bondholders prefer payout Option 1 as defined in Clause 4 below.

### 4. Manner of Payment of Bond Principal and Accrued Interest

Unless otherwise terminated earlier, the principal amount of the Bonds held by a Bondholder and accrued interest thereon, net of applicable withholding taxes, shall be paid on Maturity Date either, at the option of the Bondholder, (a) by application to the full or partial downpayment for the purchase by the Bondholder of an Ayala Land Property (as defined below) of the Bondholder's choice, or (b) by way of delivery of the lump sum amount to the Bondholder, as follows:

Option 1: The Bondholder may opt to apply the sum of the principal amount of the Bonds plus accrued interest thereon, net of applicable withholding taxes, to the full or partial downpayment (to the extent of such sum of the principal amount of the Bonds plus accrued interest thereon, net of applicable withholding taxes) for the new acquisition of a subdivision lot, house and lot or condominium unit listed below (an "Ayala Land Property") of the Bondholder's choice in any subdivision or condominium project of the Issuer or any corporation directly or indirectly controlled by the Issuer, including, but not limited to, the following, subject in any case to availability at the time of downpayment application:

## Description of the Bonds

PROJECT	LOCATION	Price Range As Of	<u>Indicative</u>
		March 16, 2013	<u>Downpayment Based</u>
		(m to mean P'000'000 and k to mean P'000)	on 20% of Price Range
BellaVita Gen. Trias	Cavite	P400k to P900k	P80k to P180k
BellaVita Alaminos	Laguna	P400k to P1m	P80k to P200k
Amaia Scapes Laguna	Calamba, Laguna	P680k to P1.25m	P136k to P250k
Amaia Scapes Lipa	Lipa, Batangas	P680k to P1.25m	P136k to P250k
Amaia Scapes Cavite	General Trias, Cavite	P680k to P1.25m	P136k to P250k
Amaia Scapes Northpoint	Talisay, Bacolod City	P680k to P1.25m	P136k to P250k
Amaia Scapes Lucena	Lucena City	P680k to P1.25m	P136k to P250k
Amaia Scapes Bauan	Bauan, Batangas	P680k to P1.25m	P136k to P250k
Amaia Scapes Capas	Capas, Tarlac	P680k to P1.4m	P136k to P280k
Amaia Skies Cubao	Quezon City	P1.3m to P2.5m	P240k to P500k
Amaia Skies Sta. Mesa	Manila	P1.3m to P2.9m	P240k to P580k
Amaia Skies Avenida	Manila	P1.3m to P2.9m	P240k to P580k
Amaia Steps Novaliches	Novaliches	P1.3m to P1.8m	P260k to P360k
Amaia Steps Sucat	Paranaque	P1.4m to P2.8m	P276k to P560k
Amaia Steps Bicutan	Paranaque	P1.4m to P2.7m	P284k to P500k
Avida Towers Sucat	Parañaque City	P1.2m to P4.0m	P240k to P800k
Avida Towers New Manila	Quezon City	P1.5m to P4.2m	P300k to P840k
Avida Towers San Lazaro	San Lazaro	P1.8m to P4.1m	P360k to P820k
Avida Towers San Lorenzo	Makati City	P3.1m to P5.5m	P620k to P1.1m
Avida Towers Riala	Cebu City	P2.0m to P5.9m	P400k to P1.2m
Avida Towers Intima	Manila	P1.7m to P5.9m	P340k to P1.2m
Avida Towers Davao	Davao City	P1.7m to P5.1m	P340k to P1.1m
Avida Towers Centera	Mandaluyong City	P1.9m to P7.5m	P380k to P1.5m
Avida Towers Cebu	Cebu City	P1.6m to P5.0m	P320k to P1.0m
Avida Village Sta Cecilia (Lots)	Cavite City	P800k to P1.5m	P160k to P300k
Avida Village Sta. Cecilia (House & Lots)	Cavite City	P1.5m to P3.1m	P300k to P620k
Avida Residences Dasmariñas (Lots)	Cavite City	P1.2m to P2.0m	P240k to P400k
Avida Residences Dasmariñas (House & Lots)	Cavite City	P2.2m to P4.3m	P560k to P860k
Avida Settings Cavite (Lots)	Cavite City	P1.5m to P2m	P300k to P400k
Avida Settings Cavite (House & Lots)	Cavite City	P2.9m to P5.7m	P600k to P1.14m
Avida Settings Nuvali (Lots)	Canlubang, Laguna	P1.3m to P2.8m	P260k to P560k
Avida Settings Nuvali (House & Lots)	Canlubang, Laguna	P2.7m to P3.7m	P540k to P740k
Avida Village Nuvali (House & Lots)	Canlubang, Laguna	P1.5m to P2.1m	P300k to P420k
Santarosa Estates (Lots)	Santa Rosa, Laguna	P4.2m to P6.2m	P840k to P1.24m
Hacienda Sta. Monica (Farm Lots)	Lipa, Batangas	P4m to P10m	P800k to P2m
Hacienda Sta. Monica (Farm House)	Lipa, Batangas	P3m to P5m	P600k to P1m
Avida Residences Sta Monica (Lots)	Lipa, Batangas	P800k to P1.5m	P160k to P300k
Avida Residences the Yards (Lots)	Lipa, Batangas	P1.5m to P2m	P300k to P400k
San Antonio Heights (Lots)	Sto .Tomas, Batangas	P500k to P1.3m	P100k to P260k
San Antonio Heights (House & Lots)	Sto .Tomas, Batangas	P800k to P3m	P160k to P600k
San Rafael Estates (Lots)	Sto. Tomas, Batangas	P1.5m to P2m	P300k to P400k
St. Gabriel Heights (Lots)	Antipolo City	P1.3m to P2.5m	P260k to P500k
St. Gabriel Heights (House & Lots)	Antipolo City	P1.8m to P2.4m	P360k to P480k
St. Alexandra Estates (Lots)	Antipolo City	P2.3m to P7.5m	P460k to P1.5m
Madera Grove Estates (Lots)	Bulacan	P2.2m to P3.6M	P440k to P720m
Madera Grove Estates (H&L)	Bulacan	P4.2m to P7.5m	P840k to P1.5m
Avida Settings San Fernando (House & Lots)	Pampanga	P4.0m to P6.6m	P800k to P1.3m
Avida Village North Point (House & Lots)	Bacolod City	P1.9m to P2.5m	P800k to P500k
Solstice	Makati City	P3.2m to P16.5m	P640k to P3.3m

## Description of the Bonds

Celadon Park Tower 2 Manila	San Lazaro, Manila	₱2.7m to ₱7m	₱540k to ₱1.4m
The Sequoia at Two Serendra	Fort Bonifacio	₱7m to ₱15m	₱1.4m to ₱3m
Ametta Place	Pasig City	₱7.9m to ₱12m	₱1.58m to ₱2.4m
Abreeza Place	Davao City	₱3.1m to ₱20m	₱620k to ₱4m
Kroma Tower	Makati City	₱3.2m to ₱17.1m	₱640k to ₱3.42m
Kasa Luntian	Tagaytay	₱4.5m to ₱14m	₱900k to ₱2.8m
Ferndale Villas	Quezon City	₱8.5m to ₱12m	₱1.7m to ₱2.4m
Lerato Tower 2	Makati City	₱3.2m to ₱16.9m	₱640k to ₱3.38m
Solinea Tower 2	Cebu City	₱2.5m to ₱7m	₱500k to ₱1.4m
Marquee Residences	Angeles, Pampanga	₱4.3m to ₱12.5m	₱860k to ₱2m
Escala	Makati City	₱6.2m to ₱39.2m	₱1.24m to ₱7.84m
Maridien	Fort Bonifacio	₱4.4m to ₱26.2m	₱880k to ₱5.24m
Park Terraces	Makati City	₱6.5m to ₱90m	₱1.1m to ₱17.8m
Garden Towers	Makati City	₱10.4m to ₱143m	₱2.1m to ₱28.6m
Luscara	Nuvali, Canlubang	₱9m to ₱27.8m	₱1.8m to ₱5.6m
West Tower at One Serendra	Fort Bonifacio	₱10.8m to ₱78.2m	₱2.1m to ₱15.5m
Ayala Westgrove Heights	Silang, Cavite	₱7.4m to ₱23m	₱1.5m to ₱4.6m
Ayala Greenfield Estates	Calamba, Laguna	₱5.1m to ₱15.9m	₱1.02m to ₱3.18m
1016 Residences	Cebu City	₱10.4m to ₱41.7m	₱2.1m to ₱8.4m
Park Point Residences	Cebu City	₱6.3m to ₱48.7m	₱1.3m to ₱9.8m
Amara	Cebu City	₱5.8m to ₱14.4m	₱1.2m to ₱2.9m
Anvaya Cove	Morong, Bataan	₱5m to ₱33m	₱1m to ₱6.6m

The sum of the principal amount of the Bonds held by the Bondholder and accrued interest thereon, but net of the applicable withholding tax, shall be applied to the full or partial downpayment of the purchase price of the Bondholder's selected Ayala Land Property. If such sum can only be applied to the partial downpayment of an Ayala Land Property, the Bondholder can only avail of Option 1 if such Bondholder is able to fully pay, or obtain firm bank or in-house financing on terms acceptable to the Issuer, based on the independent credit evaluation of the party or third party providing the financing, for the portion of the purchase price of the Ayala Land Property not covered by the aforesaid sum at the time of the downpayment application. However, if the said sum exceeds the amount of the downpayment for the purchase price of the Bondholder's selected Ayala Land Property, the excess shall be applied towards the payment of the remaining balance of the purchase price.

Under this Option 1, the Bondholder would be entitled to a Bonus Credit (as defined below), in addition to the 4.000% interest per annum on the Bonds.

The bonus credit is a discount given to the Bondholder in case such Bondholder decides to apply the aggregate face value and accrued interest (net of applicable withholding taxes) of the Bonds owned by such Bondholder as full or partial downpayment for an Ayala Land Property (the "Bonus Credit"). It is equivalent to ten percent (10.0%) of the aggregate principal amount of the Bonds held by the Bondholder, and not the Net Selling Price (as defined below) of the selected Ayala Land Property, at the time of downpayment application, subject to the Maximum Bonus Credit (as defined below). For the avoidance of doubt, for purposes of computing the value-added tax to be assessed and collected on the sale of the property, the Bonus Credit shall be treated as a discount from the Net Selling Price.

The Maximum Bonus Credit refers to the lower of (a) ten percent (10.0%) of the aggregate principal amount of the Bonds held by the Bondholder and (b) Bonus Credit limit equivalent to a percentage of the Net Selling Price of the selected Ayala Land Property (the "Maximum Bonus Credit"):

## Description of the Bonds

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<b>Brand</b>	<b>Bonus Credit Limit Based on Net Selling Price</b>
Ayala Land Premier	1%
Alveo	4%
Avida	4%
Amaia	4%
BellaVita	2%

The net selling price refers to the list price of the Ayala Land Property, less applicable discounts (other than the Bonus Credit); it excludes the value-added tax and other applicable charges on the sale of property (the "Net Selling Price").

The Bonus Credit may not be availed of in conjunction with other Ayala Group employee discounts, as may be applicable.

The Bondholder shall be given 60 days from Maturity Date to select an Ayala Land Property to which to apply the total value of the Bond. Interest (at the same rate of 4.000% per annum) shall accrue on the principal amount of the Bonds during such 60-day period. In the event no Ayala Land property is selected on or before the end of the 60<sup>th</sup> day from Maturity Date, the total principal plus interest earned until the 60<sup>th</sup> day after Maturity Date, net of applicable withholding taxes, shall be credited back to the Bondholder's designated account on (and no earlier than) the third (3<sup>rd</sup>) Banking Day after the said 60<sup>th</sup> day (the "Final Settlement Date"). A Bondholder may not, for the duration of the 60-day period, redeem any amount on any date except on Final Settlement Date.

The Bondholder may assign to a corporation at least fifty-one percent (51%) of the voting stock of which is owned by the said Bondholder the principal amount of the Bonds plus accrued interest thereon and any applicable Bonus Credit for the purpose of applying the total amount to the full or partial downpayment of an Ayala Land Property. Any taxes, fees, costs or expenses arising from or related to such an assignment shall be for the account of the Bondholder.

Option 2: The Bondholder may opt to have the principal plus accrued interest, net of applicable withholding taxes, remitted to the Bondholder's designated account on Maturity Date. However, payment of all amounts due on such date may be made by the Issuer through the Paying Agent, without adjustment or any interest, on the succeeding Business Day if the Maturity Date is not a Business Day.

The Registrar shall, not later than 90 days prior to Maturity Date, send to all Bondholders a letter together with reply forms requesting the Bondholders to express their preferred payout option. In the event no reply is received from the Bondholder by the Trustee on or before 30 days prior to the Maturity Date, the Bondholder shall be deemed to have chosen Option 1.

For purposes of communicating the Bondholder's choice of payout option under this Clause 4, the Bondholder authorizes the Issuer and the Trustee to accept and act upon the Bondholder's instructions indicating a payout option set out in an original or facsimile document sent to the Trustee.

The Bondholder shall be assisted by, and coordinate with, the Underwriter in the settlement of all matters relating to both Options after Maturity Date.



## **5. Early Downpayment Application**

At any time prior to Maturity Date, the Bondholder shall have the right to apply, provided that notice of such intent is given by the Bondholder to the developer of the Ayala Land Property of the Bondholder's choice on the date that reservation is made, the sum of the aggregate principal amount of the Bonds held by him, plus accrued interest thereon, but net of applicable withholding tax, as full or partial downpayment for the purchase of any Ayala Land Property of the Bondholder's choice including, but not limited to, those listed in Clause 4 above, such application of payment to be made to the extent of such sum. In such an event, the Bonds registered in such Bondholder's name shall be deemed terminated and cancelled on the effectivity date specified by the Bondholder in the application to be submitted to the Issuer. However, the Bondholder can avail of this Early Downpayment Application only if (a) such Bondholder is able to fully pay, or obtain firm bank or in-house financing, subject to the independent credit evaluation of the party or third party providing the financing and on terms acceptable to the Issuer, for the portion of the purchase price of the Ayala Land Property not covered by the aforesaid sum at the time of downpayment application; and (b) the Ayala Land Property of the Bondholder's choice is available on the effectivity of the Early Downpayment Application. If the sum of the aggregate principal amount of the Bonds held by the Bondholder, plus accrued interest thereon, net of applicable withholding tax exceeds the amount of the downpayment for the purchase price of the Bondholder's selected Ayala Land Property, the excess shall be applied towards the payment of the remaining balance of the purchase price.

Should the Bondholder exercise its option under this Clause 5, after the lapse of 180 days from the Issue Date, the Bondholder would be entitled to a Bonus Credit, in addition to the 4.000% interest on the Bonds, subject to the terms and conditions in Clause 4.

For the avoidance of doubt, should the Bondholder exercise its option under this Clause 5 within 180 days from the Issue Date, the Bondholder shall not be entitled to receive any Bonus Credit.

## **6. Taxation**

Except: (1) tax on a Bondholder's interest income on the Bonds which is required to be withheld by the Issuer, and (2) capital gains tax, documentary stamp tax and other taxes on the transfer of Bonds (whether by assignment or donation), if any and as applicable, which are for the account of the Bondholder, all payments of principal plus 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, or any political subdivision, agency or instrumentality thereof, including, but not limited to, issue, registration or any similar tax or other taxes and duties, including interest and penalties. 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, and will not gross-up the payments of interest on the principal amount of the Bonds so as to cover any applicable final withholding tax on interest earned on the Bonds prescribed under the National Internal Revenue Code of 1997, as amended, and its implementing rules and regulations. Documentary stamp tax on the original issue of the Bonds shall be for the Issuer's account.

A Bondholder who is exempt from or is not subject to final withholding tax on interest income may claim such exemption by submitting to the relevant Underwriter, together with the Application to Purchase, the documents listed in Part B of Clause 1 hereof.

The tax treatment of a Bondholder may vary depending upon such person's particular situation and certain Bondholders may be subject to special rules not discussed above. This Amended Prospectus does not purport to address all the aspects that may be important to a Bondholder. Bondholders are advised to consult their own tax advisers on the ownership and disposition of the Bonds, including the applicability and effect of any local or foreign tax laws.

## **7. Ranking**

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

## **8. Credit Rating**

Since the Bond issuance does not amount to more than 25% of the Issuer's net worth, it is exempted from the requirement of being rated by a rating agency accredited by the SEC in accordance with SRC Rule 12-1(6)(c)(iii).

## **9. Title and Transfer**

### *(a) Register of Bondholders*

The beneficial interest of each Bondholder in and to the Bonds will be shown on and recorded in the Register of Bondholders maintained by the Registrar. Transfer of the Bonds will also be effected through the Registrar, such that any assignment or transfer of a beneficial interest in the Bonds will be effective only upon the registration and recording by the Registrar of such assignment or transfer in the Register of Bondholders.

The transfer of the Bonds and any update in Bondholder information shall be coursed by the Bondholder through the Underwriter that (a) accepted the Bondholder's Application to Purchase during the Offer Period, or (ii) processed the transfer of the Bonds to the Bondholder, whichever is applicable. The transfer or update, as the case may be, may be subject to fees imposed by the relevant Underwriter on the Bondholder or any transferee. Bondholders should inquire with such Underwriter regarding these fees.

### *(b) Transfers; Tax Status*

The Bonds will not be listed or traded in any organized exchange, but may be sold, transferred or assigned by a Bondholder (the "Transferring Bondholder") for his own account to an Eligible Bondholder; provided, however, that transfers shall not be permitted if, by reason of such transfer, the transferee Bondholder would hold Bonds with an aggregate amount of more than Five Million Pesos (₱5,000,000). For purposes of determining compliance with this, the amount of the Bonds held or sought to be held by the transferee Bondholder in his individual capacity and together with another Bondholder (*i.e.*, under an "and/or" account), respectively, shall be aggregated.

A partial transfer of title, interest and rights of the Transferring Bondholder may be allowed, provided that holdings of both the Transferring Bondholder and the transferee Bondholder shall

not, at any time, go below Fifty Thousand Pesos (₱50,000) each. Any and all taxes, as well as settlement fees and other charges (other than registration fees which shall be paid by the Issuer) that may be imposed by the Registrar in respect of any transfer or change of beneficial title to the Bonds, including the settlement of documentary stamps taxes, if any, shall be for the account of the Transferring Bondholder, unless such cost is otherwise assumed by the Transferee in writing under the terms of the relevant transfer agreement executed between the transferring Bondholder and its transferee.

A. Documents to be provided to the Underwriter in case of Transfers

- (1) Written instructions from the transferring Bondholder, in the form provided by the Underwriter;
- (2) Written consent of the transferee to be bound by the terms and conditions of the Bonds, in the form provided by the Underwriter;
- (3) Original or certified true copy of the notarized document evidencing the transfer of the Bonds (whether by assignment or donation); and
- (4) From the transferee, the documents listed in Clause 1(b) of these Conditions.

B. Documents to be provided to the Underwriter in case of Donation

- (1) All of the documents listed in items (2) to (4) of Part A above;
- (2) Proof of acceptance of the donation; provided that, if the transferee is a minor, the acceptance of the donation of the Bonds should be made by the transferee's parents or legal guardian on his or her behalf, in which case documents showing the relationship between the transferee and his or her parents or guardians must likewise be submitted;
- (3) Tax clearance certificate and certificate authorizing registration issued by the Bureau of Internal Revenue in respect of the donation of the Bonds;
- (4) Certification issued by the Bondholder attesting to the authenticity of the documents relating to the donation and the payment of the taxes in respect of the same, in the form provided by the relevant Underwriter; and
- (5) Undertaking of the transferee to hold the Registrar, the Issuer and the Underwriter free and harmless from and against any liability whatsoever arising from or in connection with the transfer of the Bonds pursuant to the donation, in the form provided by the relevant Underwriter

## 10. 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.

As used herein: "Debt-to-Equity Ratio" means the ratio which total liabilities bears to total stockholders' equity; "total liabilities" means the aggregate (as of a relevant date of calculation)

of the current liabilities and long-term debt; and “total stockholders’ equity” means the aggregate (as of a relevant date of calculation) of the par value of the outstanding common stocks, capital surplus, retained earnings appraisal surplus arising from past appraisal and any further appraisal surplus arising from subsequent independent certified appraisal of the Issuer’s property, plant and equipment effected in accordance with generally accepted accounting principles in the Philippines, and any reserve for expansion projects, less any intangible assets such as but not limited to goodwill, trademarks, patents, copyrights, leaseholds, treasury stocks, organizational expenses, underwriting expenses and deferred expenses.

## **11. 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 Bondholder or Bondholders who hold, represent or account for more than 50% of the aggregate outstanding principal amount of the Bonds (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:

- (a) Any Lien over any asset, including, but not limited to assets purchased, leased or developed in the ordinary course of business of such asset 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 Issuer’s real estate development, 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 by 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 (as hereinafter defined): (i) statutory 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 and 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;

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

(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 Issuer's right 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 Issuer's non-current assets (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 Agreement which is disclosed in writing by the Issuer to the Trustee prior to the execution of the Trust Agreement or any Lien for an aggregate loan accommodation not exceeding the equivalent of ten percent (10.0%) 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 said Affiliates; or

(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 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) if 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 Agreement 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 Agreement 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 Clause 3 hereof.

### (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 14 days (or such longer period as the Majority Bondholders shall approve) after the receipt of the written notice from the Majority Bondholders to that effect.

(c) Other Defaults

The Issuer fails to perform or violates any other provisions of the Trust Agreement 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, within 30 days from the date of occurrence of the said violation with respect to the covenant to maintain the prescribed debt-to-equity ratio and within ten (10) Business Days from the date of occurrence of the 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 borrowed money which constitutes an event of default under said contract, or in general, violates 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 Agreement 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.

(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 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 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 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 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) Business 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 Clause 12(a) above, 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 pick up an important notice regarding the Bonds at the principal office of the Trustee upon presentation 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, the Trustee, upon the written instruction 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 Agreement 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, 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, the Registrar and Paying Agent, require the Registrar and Paying Agent to:

(aa) act thereafter as agent of the Bondholders represented by the Trustee on the terms provided in the Custodianship and Registry



Agreement and the Paying Agency 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 Registrar and Paying Agent shall be limited to amounts for the time being held by the Trustee on the trusts of the Trust Agreement in relation to the Bonds and available to the Trustee for such purpose) and thereafter to hold the Certificate of Indebtedness, all sums, documents and records held by them in respect of the Bonds on behalf of the Trustee; and/or

(bb) to deliver the Certificate of Indebtedness 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 are 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. With effect from the issue of any such notice until such notice is withdrawn, provision (aa) above and the Issuer's positive covenant to pay principal plus interest on the Bonds, net of applicable withholding taxes, more particularly set forth in the Trust Agreement, shall cease to have effect.

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 Default Interest (as hereinafter defined) on the defaulted amount(s) from the time the amount falls due until it is fully paid.

(d) If any one or more of the events enumerated as a Change of Law or Circumstance in the section "Change in Law or Circumstance" below, shall occur and be continuing for a period of 30 days with respect to the events contemplated in (a) or (b) of said section, and for a period of 15 Business Days with respect to the events contemplated in (c) of said section, the Majority Bondholders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said 15 or 30-day period, may declare the principal of the Bonds, including all accrued interest 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 pre-payment penalty, anything in the Trust Agreement or in the Bonds contained to the contrary notwithstanding, subject to the notice requirements under the discussion on "Notice of Default" below.

## **15. Default 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 interest on the defaulted amount(s) at the rate of 12.0% per annum, net

of applicable withholding taxes, (the “Default 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, then in any such case, the Issuer will 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 Default Interest thereon and, in addition thereto, the Issuer will pay to the Trustee the actual amounts 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 them, subject to any other provision of the Bond Agreements 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 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 in default, net of applicable withholding taxes, in the order of the maturity of such interest with Default Interest; 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 Default Interest; 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 will 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 Agreement 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 extrajudicial proceedings appropriate to enforce the conditions and covenants of the Trust Agreement, subject to the provisions of Clause 20 below.

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 Agreement 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 Agreement or these terms and conditions, 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 the following conditions are all present: (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 its own name; (iii) the Trustee, for 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 Majority 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 Agreement or these terms and conditions, 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 Agreement and these terms and conditions, 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 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. Notices**

### **(a) To the Trustee**

All documents required to be submitted to the Trustee pursuant to the Trust Agreement and these Conditions and all correspondence addressed to the Trustee shall be delivered to:

Attention: Trust Account Officer - IAM 6  
Ayala Land Homestarter Bonds due 2016 Trustee  
Bank of the Philippine Islands  
Asset Management and Trust Group

Address: 17<sup>th</sup> Floor, BPI Building  
Ayala Avenue cor. Paseo de Roxas  
Makati City

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 up front a fee of ₱1,500 (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 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) To the Relevant Underwriter

The transfer of the Bonds and any update in Bondholder information shall be coursed by the Bondholder through the Underwriter that (a) accepted the Bondholder's Application to Purchase during the Offer Period, or (ii) processed the transfer of the Bonds to the Bondholder, whichever is applicable, at the addresses set out below:

**BPI Capital**

Attention: BPI Capital - Securities Distribution Division Head  
Address: 8<sup>th</sup> Floor, BPI Building  
Ayala Avenue corner Paseo de Roxas  
Makati City

**China Bank**

Attention: Treasury Business Center  
Address: 6<sup>th</sup> Floor, China Bank Building  
8745 Paseo de Roxas cor. Villar Street  
Makati City

**PNB Capital**

Attention: Gerry B. Valenciano  
Senior Vice President  
Address: 9<sup>th</sup> Floor, PNB Financial Center  
Pres. Diosdado Macapagal Blvd  
Pasay City

(c) To the Bondholders

Notices to Bondholders shall be sent 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 publication in a newspaper of general circulation in the Philippines of a press release or a news item about a communication or disclosure made by the Issuer to the SEC on a matter relating to the Bonds shall be deemed a notice to the Bondholders of said matter on the date of first publication. 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) 15 days from mailing, if transmitted by surface mail; (iii) on date of publication; or (iv) on date of delivery, for personal delivery.

(d) Binding and Conclusive Nature

Except as provided in the Trust Agreement, 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 Agreement, will (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 Registrar and 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 discretion under the Trust Agreement.

### **23. Meetings of the Bondholders**

A meeting of the Bondholders may be called at any time and from time to time for the purpose of taking any action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Bonds under any other provisions of the Trust Agreement 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 25.0% of the aggregate outstanding principal amount of Bonds may direct 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 45 days nor later than 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 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 25.0% 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 or published, in accordance with the notice requirements, the notice of such meeting within 20 days after receipt of such request, 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/or publishing notice thereof.

(c) Quorum

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 from time to time 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 as reflected in the Register of Bondholders or a person appointed by an instrument in writing as proxy by any such holder as of the date of the said meeting. 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

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 may otherwise be provided in the Trust Agreement. 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.

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

Notwithstanding any other provisions of the Trust Agreement, 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.

**24. Evidence Supporting the Action of the Bondholders**

Whenever in the Trust Agreement 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, 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.

**25. Governing Law**

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

**26. Venue**

Any legal action or proceeding arising out of, or connected with, the Bonds shall be brought exclusively in the proper courts of Makati City, Philippines, each of the Issuer and the Bondholders expressly waiving any other venue.

**27. Change in Law or Circumstance**

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

- (a) 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 Agreement 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.

(b) Any provision of the Trust Agreement 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 Agreement 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 Agreement or any other related documents.

(c) 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.

(d) 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 30 days, subject to Clause 12(c) above, the Majority Bondholders, by notice in writing delivered to the Issuer through the Trustee, after the lapse of the said 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, anything contained in the Trust Agreement or in the Bonds to the contrary notwithstanding, subject to the procedural requirements discussed in these terms and conditions.

## **28. 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 Philippines 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.

## **29. Miscellaneous**

The Trustee is authorized under the Trust Agreement to appoint, on behalf of the Bondholders, a bank authorized to act as a securities custodian by the Monetary Board of the *Bangko Sentral ng Pilipinas*, and which has no subsidiary or affiliate relationship with the Issuer, to serve as Custodian for purposes of the Offer.



## **INTERESTS OF NAMED EXPERTS**

### **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 SyCip Salazar Hernandez & Gatmaitan for the Joint 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, audited Ayala Land, Inc. and Subsidiaries' consolidated financial statements as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 included in this Amended Prospectus.

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

## 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 70.08% as of March 22, 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 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, 2012, equity attributable to equity holders of Ayala Land amounted to ₱82.3 billion. It is listed on the PSE with a market capitalization of ₱363.7 billion as of December 31, 2012, based on Ayala Land's common share closing price of ₱26.45 as of that date.

As of December 31, 2012, foreign equity ownership of Ayala Land constituted 5,577,549,243 common shares and 609,383,477 voting preferred shares for an aggregate equivalent of 23.07% of total outstanding common shares and voting preferred shares.

### Ayala Land's Businesses

Ayala Land is the largest real estate conglomerate 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 farm/hacienda lots 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.)

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 Ayala Malls Group (“AMG”) 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. A wholly-owned subsidiary Primavera Town Centre, Inc. was also formed to develop, operate and manage smaller retail formats with a size of less than 10,000 sqm of GLA called neighborhood centers.

The Company’s Ayala Businesscapes Group (“ABG”) 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 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 and 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, and waterworks operations and sewage treatment facilities in some of the Company’s projects.

### **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.

*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 – and across a broad spectrum of price-points and geographies.

*Large, Strategic Landbank.* With control of 49 hectares of land in the Makati CBD and another 11.3 hectares in BGC, Ayala Land is a primary beneficiary of the country’s asset reflation story. Providing significant upside is the 2,070-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 2012, 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 ninth consecutive year in 2012 in its annual Real Estate Awards. Last year, Ayala Land was also named as the Executive Leadership Team of the Year in the 2012 Asia CEO Awards. Asiamoney also awarded Ayala Land as the Best Large Cap Corporate of the Year and named Ayala Land President and CEO Mr. Antonino Aquino as the Best Executive in the Philippines last year.

*Attractive Stock.* For the three-year period ending December 31, 2012, Ayala Land has delivered an average Total Shareholder Return of 32.6% per annum.

### **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 Kingdom Hotels

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 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 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.

### **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 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 3.8 million units and affordable mortgage loans. On the international front, the continued growth of OF 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 62% of total revenues as of 2012. 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 upscale 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 and Elaro in NUVALI, The Crestwood at Ayala Westgrove Heights, Ayala Greenfield Estates, The Residences at Greenbelt (Laguna Tower, San Lorenzo Tower and Manila Tower), One Serendra and most recently, the three towers of Park Terraces 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, 2012, Ayala Land booked 11,072 units, which was 40% higher than the year earlier. The Company was able to add 23,487 units of new inventory to buyers in 2012, with strong take up on new projects across all five brands.

Majority of the new units were from ALP's Garden Towers (340) and The Suites in BGC (298), Alveo's Sequioa (627), ABreeza Tower 1 in Davao (398), Solinea Tower 2 in Cebu (576), Avida Parkway Settings NUVALI (307), Avida Village Ceris NUVALI (213), Ridgeview Estates NUVALI (301), Avida Towers Centera III (649), Avida Towers Riala Tower 1 (621), Avida Towers Intima (747), Madera Grove Estates (366), AmaiaScapes Cavite (218), AmaiaSkies Sucat (1,632), AmaiaSkies Sta. Mesa (902), AmaiaSkies Avenida (1,167) and BellaVita Gen. Trias (1,450).

Sales to OF accounted for 16% of total residential sales as 2012, 40% higher in value terms as the impact of the US subprime crisis waned. Around 70% of the OF sales in 2012 came from the US and Asia-Pacific markets.

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, 2012, Ayala Land has a portfolio composed of 49 hectares in the Makati CBD, 11.3 hectares in BGC and 2,100 hectares in Canlubang, Laguna (NUVALI).

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.

Last year, 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 early this year as The Circuit, which is envisioned to become the entertainment district of Makati.

Other recent moves 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.

Last year, the three towers of Park Terraces at the Ayala Center were launched. A branded businessman’s hotel, a BPO office, and Glorietta 1 & 2, which form part of the first phase of the Ayala Center redevelopment, is expected to open its doors to the public this year.

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, developable land in Makati CBD is estimated by Colliers International at ₱292,000 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. Last year, 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. Last year, 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 4<sup>th</sup> 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 is estimated at ₱6 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 affiliates Cebu Holdings, Inc. ("CHI") and 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 Park Point as well as Alveo's Solinea and Avida Towers Cebu I and II.



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 is currently undergoing construction. All in all, Ayala Center Cebu registered an occupancy rate of 97% as of end 2012.

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 recently launched the first high rise residential projects in Davao through Alveo's Abreeza Residences and in Cagayan de Oro through Avida Centrio Towers. As mentioned earlier, Centrio Mall in Cagayan de Oro opened its doors in 2012.

### **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 1.2 million sqm in GLA.

Ayala Land operates movie theater complexes with a 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

## Description of Business

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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 2012.

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 rates of the consolidated malls were at 93% as of end 2012 with the opening of Harbor Point in Subic and Centrio Mall, while average building rental rates were 3% higher compared with 2011. TriNoma, which opened in May 2007, had an average occupancy rate of 99% as of end of last year. MarQueue Mall in Pampanga, which opened on September 26, 2009, experienced increasing occupancy, with last year ending at 88%. AMG's first mall in Davao Abreeza opened in May last year with almost 50,000 sqm of retail GLA and occupancy of 88% as of end 2012.

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 sqm of GLA. The project, which has an estimated project cost of ₱3.0 billion, is scheduled to break ground within the year and is expected to be completed by the fourth quarter of 2013.

### *Corporate Business*

ABG 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. Ayala Land owns and operates 5 traditional and 32 BPO buildings with a total area of 509,000 sqm GLA.

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 93% for traditional office buildings and 83% for BPO buildings as of end 2012, due to opening of new BPO office buildings, with rental rates rising 3% from the same period in 2011 for BPO office buildings.

### **HOTELS AND RESORTS**

Ayala Land is also involved in the development, operation and management of hotels and eco-resorts. As of December 31, 2012, Ayala Land has in its portfolio the Hotel InterContinental Manila (334 rooms), the Cebu Marriott (301 rooms), (280 rooms), Raffles Suites (32 rooms), and Raffles Residences (189 rooms), SEDA Bonifacio Global City (179 rooms) and SEDA Centrio (150 rooms). SEDA Davao and SEDA NUVALI are under construction which will cater to the increasing number of business travelers into the country once completed.

The recovery in tourist arrivals and increase in business travelers resulted in 4% and 30% higher revenue per available room (REVPAR) for hotels and resorts, respectively.

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 2012, there are 150 rooms available from Miniloc, Lagen, Apulit (previously Club Noah) Island Resorts and 42 villas from Pangalusian Island Resorts in El Nido Palawan.

Last year, 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.

### **SERVICES**

Its support businesses include construction of Ayala Land and third-party projects, hotels development and management, property management, and waterworks operations and sewage treatment facilities in some of the Company's projects.

#### *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 2012, MDC had a total of 114 projects worth ₱85 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. Ayala Land's waterworks services pertain mainly to the operations of the water facilities in its residential and industrial developments (Laguna Technopark).

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 International School Manila, Capitol Golf & Country Club, Makati Medical Center, Philippine Heart Center, ABS-CBN and all of Citibank's buildings, offices and branches nationwide. As of end last year, APMC has 153 managed facilities and has ₱1.4 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.

## Description of Business

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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 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 a disclosure to SEC, PSE and PDEX dated 03 August 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 will be constructed in two phases and is expected to cost approximately US\$220 million. The first phase, comprising 11 towers, started construction by end-2010 and is expected to be completed within 20 months. Beyond this residential development, the Company and SSTEC are also exploring the possibility of collaborating on additional joint ventures within the Eco-City.

### *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 full year 2012, full year 2011 and 2010: (in ₱’000)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Consolidated revenues			
Domestic	54,524,815	44,205,533	37,813,499
Foreign	-	-	-

## Description of Business

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Net operating income			
Domestic	16,465,294	13,289,719	10,461,130
Foreign	-	-	-
Net income <i>(Attributable to equity holders of ALI)</i>			
Domestic	9,038,328	7,140,308	5,458,134
Foreign	-	-	-
Total assets			
Domestic	231,232,383	154,619,179	121,675,262
Foreign	-	-	-

Residential development business contributed 61% of 2011 consolidated revenues. The residential business includes development and sale of high-end lots and units, leisure properties, middle-income, affordable and economic housing.

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

With 6,265 hectares of developable area in its landbank as of December 31, 2012, ALI believes that it has sufficient properties for development in next 20-25 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.

## Description of Business

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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.

ALI's track record, strong branding, and ability to attract top locators will ensure that the development will achieve its highest potential value. In the development and management of CBDs, ALI's signature projects include the master-planned Makati CBD, BGC, Cebu Business Park, and Madrigal Business Park in Alabang.

The total project cost is estimated at ₱22.0 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. The project, which has an estimated project cost of ₱3.0 billion, is scheduled to break ground within the year and is expected to be completed by the fourth quarter of 2013.

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.

On November 2011, South Maya Ventures, Corp. (SMVC), a subsidiary of Ayala Land, Inc., operating under the brand name BellaVita – the Company’s 5<sup>th</sup> 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 disclosure dated 14 August 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.

### *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 Kukun in BGC and Davao City, in addition to previously launched Kukun 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 5<sup>th</sup> 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, Philippine Integrated Energy Solutions, Inc. (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 a disclosure dated 5 November 2012, Ayala Land through SIAL CVS Retailers, Inc. (SIAL) signed a Shareholders' Agreement with FamilyMart Co., Ltd. and Itochu Corp. for the development and operations of FamilyMart Convenience Stores in the Philippines.

### **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 8,000 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, led the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI also signed up marketing partners in Bahrain, Saudi Arabia, London and Spain. Avida established representative offices in Rome and Milan in Italy and in Abu Dhabi. In addition, One Ayala program, which bundles the products and services of Ayala Land, the 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. Last year, 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 whose focus on mall operations gives SM Prime 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.

## **Project and Capital Expenditures (Consolidated)**

As of December 31, 2012, Ayala Land spent ₱71.3 billion for project and capital expenditures, 138% more than the ₱29.9 billion spent during the same period in 2011. Residential development accounted for 23% of total, with shopping centers and corporate business accounting for 10% and 2% of total capital expenditures, respectively. Of the total capex spent in 2012, 57% was spent on various landbanking activities.

The ₱71.3 billion capital expenditures for 2012 represented 193% of the ₱37.0 billion initial budget for the year. 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, 2012, there are several companies which are either subsidiaries or affiliates of Ayala Land. Certain details and the percentage of direct and effective ownership held by Ayala Land of each of these companies are described below:

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
<b>CORE BUSINESS</b>			
<b>Property Development</b>			
Alveo Land Corp. (formerly Community Innovations, Inc.)	September 29, 1995	100.0	
Serendra, Inc.	June 7, 1994	28.1	38.9
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	March 5, 2011		65.0
Avida Land Corp.	October 30, 1990	100.0	
Buklod Bahayan Realty and Development Corp.	November 5, 1996		100.0
Avida Sales Corp.	December 22, 2008		100.0
Ayalaland International Marketing, Ltd.	June 9, 2011		100.0
Ayalaland International Marketing, SRL	July 19, 2007		100.0
Amicassa Process Solutions, Inc.	June 2, 2008		100.0
Avencosouth Corp. (Avencosouth)	April 26, 2012		70.0
Amaia Land Corp. (formerly First Communities Realty, Inc.)	May 29, 2000	100.0	
BellaVita Land Corp (formerly South Maya Ventures Corp.),	March 21, 1995	100.0	
Roxas Land Corporation	March 16, 1996	50.0	
Amorsedia Development Corporation	March 6, 1996	100.0	
OLC Development Corporation	June 28, 1996		100.0
Ayala Greenfield Development Corp.	July 17, 1997		50.0
Allysonia International Ltd.	February 18, 2000		100.0
Ayala Land Sales, Inc.	March 6, 2002	100.0	
Ayala Land International Sales, Inc.	March 29, 2005	100.0	
Ayalaland International Marketing, Inc. (AIMI)	February 28, 2012		100.0
Nuevo Centro, Inc.	April 15, 2011	100.0	
BG West Properties, Inc.	August 5, 2011	50.0	
BG South Properties, Inc.	August 10, 2011	50.0	
BG North Properties, Inc.	August 5, 2011	50.0	
Aurora Properties, Inc.	December 3, 1992	70.0	
Vesta Property Holdings, Inc.	October 22, 1993	70.0	
Ceci Realty, Inc.	August 22, 1974	60.0	
Bonifacio Land Corporation <sup>(a)</sup>	October 20, 1994	5.3	4.8
Fort Bonifacio Development Corp. <sup>(b)</sup>	February 7, 1995	5.3	55.0
Emerging City Holdings, Inc.	July 19, 2002	50.0	
Columbus Holdings, Inc.	July 19, 2002		70.0
Bonifacio Land Corporation <sup>(a)</sup>	October 20, 1994	10.0	69.9
Fort Bonifacio Development Corp. <sup>(b)</sup>	February 7, 1995		55.0
Berkshires Holdings, Inc.	December 4, 2002	50.0	
Columbus Holdings, Inc.	July 19, 2002		30.0
Bonifacio Land Corporation <sup>(a)</sup>	October 20, 1994	5.3	69.9
Fort Bonifacio Development Corp. <sup>(b)</sup>	February 7, 1995		55.0

Description of Business

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
Regent Time International Limited	March 28, 2003	100.0	
Bonifacio Land Corporation <sup>(a)</sup>	October 20, 1994	5.3	4.8
Fort Bonifacio Development Corp <sup>(b)</sup>	February 7, 1995		55.0
Buendia Landholdings, Inc.	October 27, 1995	100.0	
Red Creek Properties, Inc.	October 17, 1994	100.0	
Crimson Field Enterprises, Inc.	October 26, 1995	100.0	
Crans Montana Property Holdings Corp	December 28, 2004	100.0	
HLC Development Corporation	June 28, 1996		100.0
Ecoholdings Company, Inc.	September 25, 2008	100.00	
<b>Shopping Centers</b>			
NorthBeacon Commercial Corporation	August 13, 1970	100.0	
Station Square East Commercial Corporation	March 17, 1989	69.0	
Accendo Commercial Corp.	December 17, 2007	67.0	
Avencosouth Corp.	April 26, 2012		20.0
ALI-CII Development Corporation	August 6, 1997	50.0	
Alabang Commercial Corporation	June 28, 1978	50.0	
South Innovative Theatre Management, Inc.	February 2, 2001		100.0
North Triangle Depot Commercial Corporation	March 20, 2001	49.3	
Lagoon Development Corporation	August 30, 1996	30.0	
Primavera Towncentre, Inc.	December 18, 2009	100.0	
Subic Bay Town Centre, Inc.	March 9, 2010	100.0	
Ayala Theatres Management, Inc.	August 10, 1984	100.0	
Five Star Cinema, Inc.	December 18, 2000	100.0	
Food Court Company, Inc.	November 14, 1997	100.0	
Leisure and Allied Industries Phils., Inc.	October 10, 1997	50.0	
Cagayan de Oro Gateway Corp	March 3, 2010	70.0	
Arvo Commercial Corporation	June 23, 2011	100.0	
Cavite Commercial Town Center, Inc.	July 31, 2009	100.0	
<b>Corporate Business</b>			
Laguna Technopark, Inc.	November 15, 1990	75.0	
Ecozone Power Mgt. Inc.	August 20, 2010		100.0
Asian I-Office Properties, Inc	September 24, 2007	60.0	
ALI Property Partners Corp.	July 26, 2006	68.0	
One Dela Rosa Prop. Devt. Inc.	September 4, 2006		100.0
First Gateway Real Estate Corp.	September 4, 2006		100.0
Glensworth Development, Inc.	August 23, 2007		100.0
UP North Property Holdings, Inc.	March 26, 2007		100.0
Gisborne Property Holdings, Inc.	August 24, 2007	100.0	
Sunnyfield E-Office Corporation	July 7, 2008	100.0	
Asterion Technopod, Inc.	July 8, 2008	100.0	
Crestview E-Office Corporation	July 8, 2008	100.0	
Summerhill E-Office Corporation	July 7, 2008	100.0	
Hillsford Property Corp.	August 24, 2007	100.0	
<b>Hotels and Resorts</b>			
Ayala Hotels, Inc.	April 11, 1991	50.0	
AyalaLand Hotels and Resorts Corporation	September 21,	100.0	

Description of Business

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
	2010		
Enjoy Hotels, Inc.	July 12, 1990		100.0
Cebu Insular Hotel Company, Inc.	April 6, 1995		62.9
Greenhaven Property Venture, Inc.	July 9, 2008		100.0
Bonifacio Hotel Ventures, Inc.	October 13, 2010		100.0
Southcrest Hotel Ventures, Inc.	October 18, 2010		67.0
Northgate Hotel Ventures, Inc.	October 18, 2010		70.0
North Triangle Hotel Ventures, Inc.	October 18, 2010		100.0
EcoSouth Hotel Ventures, Inc.	May 19, 2011		100.0
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	January 30, 2007		80.0
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	August 13, 2007		80.0
Ten Knots Philippines, Inc.	November 22, 1979	60.0	
Ten Knots Development Corp.	August 22, 1992	60.0	
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	January 30, 2007	20.0	
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	August 13, 2007	20.0	
<b>Visayas Mindanao</b>			
Cebu Holdings, Inc.	December 9, 1988	47.3	
Cebu Property Ventures & Development Corp.	August 2, 1990	7.8	76.3
Asian I-Office Properties, Inc.	September 24, 2007		40.0
Cebu Leisure Company, Inc.	January 31, 1994		100.0
CBP Theatre Management Inc.	February 1, 1994		100.0
Cebu Insular Hotel Company, Inc.	April 6, 1995		37.1
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	March 5, 2011		35.0
Adauga Commercial Corporation (Adauga)	September 5, 2012	100.0	
<b>International</b>			
First Longfield Investments Limited	October 23, 2006	100.0	
Green Horizons Holdings Limited	October 25, 2006		100.0
ARCH Capital Partners L.P.	April 19, 2007		8.0
Regent Wise Investments Limited	May 12, 2010	100.0	
Tianjin Eco-City Ayala Land Development Co., Ltd.	November 17, 2010	40.0	
<b>SUPPORT BUSINESS</b>			
<b>Construction</b>			
Makati Development Corporation	August 15, 1974	100.0	
MDC Build Plus	October 17, 2011		100.0
MDC Subic	June 28, 2010		100.0
<b>Property Management</b>			
Ayala Property Management Corporation	August 8, 1977	100.0	
<b>OTHERS</b>			
MZM Holdings, Inc. (MZM)	October 9, 1997	100.0	
Studio Ventures, Inc.	September 19, 1997	100.0	

## Description of Business

	Date of Incorporation	Ownership (%)	
		By Ayala Land	By Subsidiary / Affiliate
AyalaLand Commercial REIT, Inc.	September 30, 2010	100.0	
Aprisa Business Process Solutions, Inc.	September 21, 2010	100.0	
Philippine Integrated Energy Solutions, Inc.	September 21, 2010	60.0	
Direct Power Services, Inc.	September 14, 2011	100.0	
Astoria Investment Ventures, Inc. <sup>(c)</sup>	February 29, 1996	100.0	
ALInet.com, Inc.	May 5, 2000	100.0	
CMPI Holdings, Inc.	May 30, 1997	60.0	
CMPI Land, Inc.	March 27, 1998		60.0
Varejo Corp. (Varejo)	June 25, 2012	100.0	
SIAL Specialty Retailers, Inc. (SIAL Specialty)	September 27, 2012		50.0
SIAL CVS Retailers, Inc. (SIAL CVS)	September 27, 2012		50.0
Southgateway Development Corp. (SDC)	October 19, 2012	100.0	
Ayalaland MetroNorth, Inc. (AMNI)	November 29, 2012	100.0	

<sup>(a)</sup> ALI's effective ownership in Bonifacio Land Corporation is 45.05%

<sup>(b)</sup> ALI's effective ownership in Fort Bonifacio Development Corporation is 24.78%

<sup>(c)</sup> Pertains to common shares

### 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 Mamlasan, Verdana Village Center, MarQueue, 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 farm/hacienda/commercial lots. 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.

## Description of Business

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*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, Inc.* and *Vesta Property Holdings, Inc.* are 70% owned by Ayala Land, while *Ceci Realty, Inc.* (incorporated in 1974) is 60% owned. 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

## Description of Business

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*NorthBeacon Commercial Corporation* – formerly Alabang Theatres Management Corporation, is Ayala Land’s wholly-owned vehicle for its MarQueue 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.

*Lagoon Development Corporation*, 30% owned by Ayala Land, is a joint venture company with Extraordinary Development Corporation. It continued to operate Pavilion Mall which is located in Biñan, Laguna.

*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.

*Food Court Company, Inc.*, a 100% owned subsidiary of Ayala Land, handles foodcourt operations known as Food Choices at the Glorietta 4.

*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.



## Description of Business

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*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 affiliate, 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).

*ALI Property Partners Corp.*, is the Company's 80%-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 Corp. (The Ten Knots Group)*, 60% owned by Ayala Land in partnership with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) involved in the development of parcels of land and islands into resorts in Palawan.

*Greenhaven Property Venture, Inc.*, 100% owned by Ayala Land 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.*, 47% 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*, 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.

### International

*First Longfield Investments Limited* 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.

*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.

*Tianjin Eco-City Ayala Land Development Co., Ltd.* 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 Tianjin 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 will be constructed in two phases and is expected to cost approximately US\$220 million. The first phase, comprising 11 towers, started construction by end-2010 and is expected to be completed within 20 months. Beyond this residential development, the Company and SSTECH are also exploring the possibility of collaborating on additional joint ventures within the Eco-City.

### 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 the recently passed 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 wholly 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.

*Direct Power 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.

*SIAL Specialty* was incorporated on September 27, 2012 as a joint venture between *Varejo* and 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.

*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.

*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.

### **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 - parent company has a total workforce of 487 regular employees (1,412 including manpower of wholly-owned subsidiaries) as of December 31, 2012.

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

Executive	22
Managers	197
Supervisors	80
Rank & File	<u>188</u>
Total	487

ALI Parent has implemented provisions of a new three (3) year collective bargaining agreement, covering January 2012 to December 2014 that provides for salary increases based on performance. The company continues to nurture an open and cooperative relation with the union.

The Company has embarked on a robust leadership development and talent management program for leaders at the frontline, middle management and senior leaders. All of its senior managers (AVPs up) have attended a corporate wide leadership program facilitated by Harvard Business School. It has also implemented retention initiatives that has resulted in the lowest attrition levels and has strongly pushed for a strong performance management where all employees up to staff individual contributors have clear key result objectives and basis for performance assessments and feedback.

To engage ALI employees to become main drivers of innovation and growth for the business, the Company launched the ALI CAN (Creative Alternatives and New Ideas) program in April 2012. This suggestion program is a mechanism by which employees can generate actionable ideas that will promote process improvement, cost efficiency and customer satisfaction in the delivery of products and services.

As part of ALI's continuing thrust to promote integrity and transparency in the conduct of its business, the Company rolled out enhancements to governance practices like the Conflict of Interest Policy this August 2012. The Company aligned the policies on Conflict of Interest of ALI Parent with its subsidiaries and affiliates to facilitate a group-wide implementation. The amended group-wide policy requires strict compliance by all employees to file their Annual Business Interests and Related Party Disclosure forms with their respective Human Resources Division (HRD) which will then be submitted to Corporate HRD for consolidation and filing. Corporate Internal Audit Division (IAD) will then review the disclosures and conduct audit to check compliance.

## **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 Ayala Land Premier, Alveo, Avida, Amaia, BellaVita, and Ayala Malls. As a matter of policy, the Company and its subsidiaries also apply for, obtain and maintain tradename registrations for its various developments, projects and events. Please see table under the “Regulation” subsection below for a schedule of trademark applications filed by Ayala Land and its subsidiaries in connection with the Ayala Land Properties made available for purchase by the Bondholders under Option 1, Clause 4 of the terms and conditions of the Bonds.

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

## Description of Business

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.

Below is a schedule of HLURB licenses to sell obtained by ALI and its subsidiaries in connection with the Ayala Land Properties made available for purchase by the Bondholders under Option 1, Clause 4 of the terms and conditions of the Bonds.

<b>PROJECT</b>	<b>LOCATION</b>	<b>LICENSE TO SELL (HLURB #)</b>	<b>Trademark with the IPO (if applicable)</b>
BellaVita Gen. Trias	Cavite	Phase 1: 24997 Phase 2: 25610 Phase 3: 25611	N/A
BellaVita Alaminos	Laguna	26060	N/A
Amaia Scapes Laguna	Calamba, Laguna	23367 (SECTOR 1) 23709 (SECTOR 2 AND 3)	Application still on process
Amaia Scapes Lipa	Lipa, Batangas	25001	Application still on process
Amaia Scapes Cavite	General Trias, Cavite	24970 (SECTOR 1) 25531 (SECTOR 2)	Application still on process
Amaia Scapes Northpoint	Talisay, Bacolod City	23280 (SECTOR 1) 23299 (SECTOR 2 AND 3)	Application still on process
Amaia Scapes Lucena	Lucena City	26478	Application still on process
Amaia Scapes Bauan	Bauan, Batangas	PD957: 26528 BP220: 26529	Application still on process
Amaia Scapes Capas	Capas, Tarlac	BP220: 25971 PD957: 25972 (SECTOR 1) PD957: 25993 (SECTOR 2)	Application still on process
Amaia Skies Cubao	Quezon City	Tower 1: 26246 Tower 2; ENCRFO-I3-02-006	Application still on process
Amaia Skies Sta. Mesa	Manila	26408	Application still on process
Amaia Skies Avenida	Manila	26412	Application still on process
Amaia Steps Novaliches	Novaliches	26893	Application still on process
Amaia Steps Sucat	Paranaque	ENCRFO-12-11-057	Application still on process
Amaia Steps Bicutan	Paranaque	ENCRFO-13-01-001	Application still on process
Amaia Steps Pasig Phase 1A	Pasig	ENCRFO-12-12-065	Application still on process
Amaia Skies Cubao T2	Quezon City	ENCRFO-I3-02-006	Application still on process

Description of Business

PROJECT	LOCATION	LICENSE TO SELL (HLURB #)	Trademark with the IPO (if applicable)
Avida Towers Sucat	Parañaque City	Tower 1: 22739 Tower 2: 22740 Tower 3: 24656 Tower 4: 14640 Tower 5: 16768 Tower 6: 20111 Tower 7: 23597 Tower 8: 26134	N/A
Avida Towers New Manila	Quezon City	Tower 1: 22726 Tower 2: 14624 Tower 3: 18649 Tower 4: 23577 Tower 5: 25014	N/A
Avida Towers San Lazaro	San Lazaro	Tower 1: 14631 Tower 2: 14641 Tower 3: 16718 Tower 4: 20103 Tower 5: 22752	N/A
Avida Towers San Lorenzo	Makati City	Tower 1: 20203 Tower 2: LTS # 26135	N/A
Avida Towers Riala	Cebu City	Tower 1: TLS 0019 Tower 2: TLS 0029	Application still on process
Avida Towers Intima	Manila	26391	Application still on process
Avida Towers Davao	Davao City	TLS dated (July 27, 2012)	N/A
Avida Towers Centera	Mandaluyong City	Tower 1: 25070 Tower 2: 25717 Tower 3: ENCRFO 12-01-001 (TLS) (January 5, 2012)	Application still on process
Avida Towers Cebu	Cebu City	Tower 1: 21798 Tower 2: 21869	N/A
Avida Village Sta Cecilia (Lots)	Cavite City	Phase 2a 22595	N/A
Avida Village Sta. Cecilia (House & Lots)	Cavite City	Phase 2a 22595	N/A
Avida Residences Dasmariñas (Lots)	Cavite City	22919	N/A
Avida Residences Dasmariñas (House & Lots)	Cavite City	22919	N/A
Avida Settings Cavite (Lots)	Cavite City	Phase 1 LTS no. 17709- RAR4A-07-04 Phase 2 LTS no. 23904	N/A

Description of Business

<b>PROJECT</b>	<b>LOCATION</b>	<b>LICENSE TO SELL (HLURB #)</b>	<b>Trademark with the IPO (if applicable)</b>
Avida Settings Cavite (House & Lots)	Cavite City	Phase 1 LTS no. 17709- RAR4A-07-04 Phase 2 LTS no. 23904	N/A
Avida Settings Nuvali (Lots)	Canlubang, Laguna	Phase 1: 18539 Phase 2: 19993 Phase 3: 21263 Phase 4: 23368	N/A
Avida Settings Nuvali (House & Lots)	Canlubang, Laguna	Phase 1: 18539 Phase 2: 19993 Phase 3: 21263 Phase 4: 23368	N/A
Avida Village Nuvali (House & Lots)	Canlubang, Laguna	23718	Application still on process
Santarosa Estates (Lots)	Santa Rosa, Laguna	Phase 1A TS 16827 - R4A-06-11 Phase 2A 09203 - R4A-04-02 Phase 1 R4-96-09-0183 Phase 2 05565 - R4-02-06 Commercial LTS 09202 - R4A-04-02	N/A
Hacienda Sta. Monica (Farm Lots)	Lipa, Batangas	Phase 1 05603-R4A-02-08 Phase 2 11266-R4A-05-03 Phase 3 08213-R4A-03-09	N/A
Hacienda Sta. Monica (Farm House)	Lipa, Batangas	Phase 1 05603-R4A-02-08 Phase 2 11266-R4A-05-03 Phase 3 08213-R4A-03-09	N/A
Avida Residences Sta Monica (Lots)	Lipa, Batangas	Phase 1 15235-R4A-06-03 Phase 2 15234-R4A-06-03 Phase 3 17745-R4A-07-06	N/A
Avida Residences the Yards (Lots)	Lipa, Batangas	Phase 1 15235-R4A-06-03 Phase 2 15234-R4A-06-03 Phase 3 17745-R4A-07-06	N/A



Description of Business

PROJECT	LOCATION	LICENSE TO SELL (HLURB #)	Trademark with the IPO (if applicable)
San Antonio Heights (Lots)	Sto .Tomas, Batangas	Phase 1 R4-97-06-0111 Phase 2 R4-97-12-0239 Phase 3A R4-99-08-0099 Phase 3B 01831-R4-00-06 Phase 3C 01831-R4-00-06 Phase 3D 04854-R4-02-04 Phase 3E 04854-R4-02-04 Phase 4A 08233-R4A-03-10 Phase 4B 16296-R4A-06-10	N/A
San Antonio Heights (House & Lots)	Sto .Tomas, Batangas	Phase 1 R4-97-06-0111 Phase 2 R4-97-12-0239 Phase 3A R4-99-08-0099 Phase 3B 01831-R4-00-06 Phase 3C 01831-R4-00-06 Phase 3D 04854-R4-02-04 Phase 3E 04854-R4-02-04 Phase 4A 08233-R4A-03-10 Phase 4B 16296-R4A-06-10	N/A
San Rafael Estates (Lots)	Sto. Tomas, Batangas	Phase 1 LTS No. R4-97-12-0244 Phase 2 LTS No. R4-97-12-0244 Phase 3 12355-R4A-05-04	N/A
St. Gabriel Heights (Lots)	Antipolo City	Phase 1 14632 Phase 2 7189 Phase 3 20163	N/A

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PROJECT	LOCATION	LICENSE TO SELL (HLURB #)	Trademark with the IPO (if applicable)
St. Gabriel Heights (House & Lots)	Antipolo City	Phase 1 14632 Phase 2 7189 Phase 3 20163	N/A
St. Alexandra Estates (Lots)	Antipolo City	20161	N/A
Madera Grove Estates (Lots)	Bulacan	25939	Application still on process
Madera Grove Estates (H&L)	Bulacan	25939	Application still on process
Avida Settings San Fernando (House & Lots)	Pampanga	15595	N/A
Avida Village North Point (House & Lots)	Bacolod City	23277	N/A
Solstice Tower 1	Makati City	ENCRFO-13-03-009	N/A
Celadon Park Tower 2 Manila	San Lazaro, Manila	24681	N/A
The Sequoia at Two Serendra	Fort Bonifacio	ENFRO-12-02-11	N/A
Ametta Place	Pasig City	22055	N/A
Abreeza Place	Davao City	Permanent LTS under application	N/A
Kroma Tower	Makati City	ENCRFO-12-03-016  (Permanent LTS under application)	N/A
Kasa Luntian	Tagaytay	(Phase 1 Bldg B,C,D) 25620  (Phase 1 Bldg A, E,F) 25621	N/A
Ferndale Villas	Quezon City	24705	N/A
Lerato Tower 2	Makati City	26139	N/A
Solinea Tower 2	Cebu City	Permanent LTS under application	N/A
Marquee Residences	Angeles, Pampanga	26789	N/A
Escala	Makati City	ENCRFO 12-10-054 (target filing for permanent LTS application is on June 2013)	
One Maridien	Bonifacio Global City	TLS No. ENCRFO-12-06-028 PLTS under application	High Street South Block
Two Maridien	Bonifacio Global City	TLS No. ENCRFO-12-06-027	High Street South Block
High Street South Corporate Plaza Tower 1	Bonifacio Global City	TLS No. ENCRFO-12-11-064	High Street South Block
Park Terraces	Makati City	Tower 1: 23588  Tower 2 (Point): 24661	04-2010-006185  04-2010-006184

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PROJECT	LOCATION	LICENSE TO SELL (HLURB #)	Trademark with the IPO (if applicable)
Garden Towers	Makati City	ENCRFO-12-10-055	N/A
Luscara	Nuvali, Canlubang	24509	N/A
West Tower at One Serendra	Fort Bonifacio	24154	N/A
Ayala Westgrove Heights	Silang, Cavite	Phase 5 – 05608-R1-02-09 Phase 14 – 24015 (original); 25548 (amended) Phase 15 – 25580	N/A
Ayala Greenfield Estates	Calamba, Laguna	Phase 5A: 16304-R4A-06-10 Phase 5B: 17722-R4A-07-05 Phase 6A: 22588 Phase 6B: 23732	N/A
1016 Residences	Cebu City	21863, 20831	N/A
Park Point Residences	Cebu City	0021	N/A
Amara	Cebu City	21878	N/A
Anvaya Cove	Morong, Bataan	12469, 21318, 23087, 15604, 19110, 21097, 23833, 21396, 23033, 24301, 21140, 23086, 23859, 24261	

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

## Description of Business

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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

The following table provides summary information on ALI's landbank as of December 31, 2012. Properties are wholly-owned and free of lien unless noted.

<i>Location</i>	<i>Hectares</i>	<i>Primary land use</i>
Makati <sup>1</sup>	49	Commercial/Residential
Taguig <sup>2</sup>	111	Commercial/Residential
Makati (outside CBD) <sup>3</sup>	22	Commercial/Residential
Alabang <sup>4</sup>	18	Commercial/Residential
Las Piñas/Paranaque	131	Commercial/Residential
Manila / Pasay <sup>5</sup>	4	Commercial/Residential
Quezon City <sup>6</sup>	127	Commercial/Residential
Others in Metro Manila	28	Commercial/Residential
<b><i>Metro Manila</i></b>	<b><i>490</i></b>	
NUVALI <sup>7</sup>	1,749	Commercial/Residential/Industrial
Laguna (ex-Canlubang) <sup>8</sup>	466	Commercial/Residential/Industrial
Cavite <sup>9</sup>	608	Commercial/Residential
Batangas/Rizal/Quezon <sup>10</sup>	406	Commercial/Residential
<b><i>Calabarzon</i></b>	<b><i>3,229</i></b>	
<b><i>Bulacan/Pampanga</i></b> <sup>11</sup>	<b><i>333</i></b>	Commercial/Residential
<b><i>Others in Luzon</i></b> <sup>12</sup>	<b><i>1,125</i></b>	Commercial/Residential
Bacolod/Negros Occidental	13	Commercial/Residential
Cebu <sup>13</sup>	187	Commercial/Residential
Davao <sup>14</sup>	119	Commercial/Residential
Cagayan De Oro <sup>15</sup>	181	Commercial/Residential
Iloilo <sup>16</sup>	18	
<b><i>Visayas/Mindanao</i></b>	<b><i>518</i></b>	
<b><i>TOTAL</i></b>	<b><i>5,695</i></b>	

<sup>1</sup> 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.



## Description of Properties

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<sup>2</sup> 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.

<sup>3</sup> Includes a 21-ha. property which is under a joint development agreement with Philippine Racing Club, Inc.

<sup>4</sup> 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.

<sup>5</sup> 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.

<sup>6</sup> 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-ha. property which is being leased from Ellimac Prime Holdings, Inc. and a 29.2-ha. property on a joint development agreement with the National Housing Authority and a 2.0-ha. property under lease agreement with MBS Development Corp.

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

<sup>7</sup> NUVALI includes 860 has. which are 70% owned through Aurora Properties, Inc. and Vesta Holdings, Inc.; also includes 269 has. which are 60% owned through Ceci Realty, Inc.

<sup>8</sup> 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.

<sup>9</sup> Cavite includes 5 has. in Riego de Dios Village which is under joint venture with the Armed Forces of the Philippines and a 5-ha. property being developed under a land lease agreement

<sup>10</sup> Batangas includes 7 has. in Sto. Tomas project which is under an override arrangement.

<sup>11</sup> Pampanga includes 540 has. in Porac is 55% owned under Nuevo Centro.

<sup>12</sup> Includes 275.8 has in Bataan pertaining to the Anvaya Cove property which is under joint development agreement with SUDECO, a 6.5-ha. property in Subic on lease agreement with Subic Bay Management Authority and a 19-ha. Land lease with the government in Palawan.

<sup>13</sup> Cebu includes the 8.6 has. lot pad of Ayala Center Cebu which is 47% owned through Cebu Holdings, Inc. (CHI); 0.62-ha. Cebu Insular Hotel site owned by Ayala Hotels, Inc. 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.

0.62 ha. is subject to a mortgage trust indenture securing Cebu Insular Hotel Company Inc.'s term loan with Bank of the Philippine Islands, which was refinanced on a clean basis on February 2013.

<sup>14</sup> Davao includes a 8.2-ha. Property which is 70% owned through Accendo Commercial Corp.

<sup>15</sup> 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.

<sup>16</sup> Includes a 2.0 has. land lease for the Iloilo BPO property and a 16-ha. property owned through a JDA agreement with KAPIDECO

### **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.

### **RENTAL PROPERTIES**

The Company's properties for lease are largely shopping centers and office buildings. It also leases land, carparks and some residential units. In the year 2012, rental revenues from these properties accounted for ₱8.79 billion or 18% of Ayala Land's consolidated revenues. Lease terms vary depending on the type of property and tenant.

### **PROPERTY ACQUISITIONS**

With 5,695 hectares in its landbank as of December 31, 2012, 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.

### **MORTGAGE, LIEN OR ENCUMBRANCE OVER PROPERTIES**

The following properties of the Company are mortgaged with BPI in compliance with BSP ruling on directors, officers, stockholders and related interests:

1. 1.37 has. in Makati
2. 0.62 ha. in Cebu which was refinanced on a clean basis on February 2013.
3. 3.7 has. In Alabang

## CERTAIN LEGAL PROCEEDINGS

As of December 31, 2012, ALI, its subsidiaries, and its affiliates, are not involved in any litigation that they consider material. However, 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 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. None of the Ayala Land Properties made available for purchase by the Bondholders under Option 1 of Clause 4 of the terms and conditions of the Bonds (see "Description of the Bonds" section) are involved in the aforementioned cases.

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 litigations.

## 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		
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
First Quarter	22.10	16.38	13.50	15.22	13.80	10.00	20.75	15.50	13.00
Second Quarter	22.50	16.98	14.75	18.84	15.00	12.50	21.60	15.60	13.50
Third Quarter	24.50	17.10	18.70	19.90	13.50	13.25	23.85	14.58	17.60
Fourth Quarter	26.95	16.92	18.44	22.25	14.00	15.52	26.45	15.16	16.46

The market capitalization of ALI as of January 31, 2013, based on the closing price of ₱29.00/share, was ₱398.81 billion. ALI's closing price as of March 25, 2013 was ₱30.90 which translates to a market capitalization of ₱424.94 billion.

### Stockholders

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

Common Shares: *There are approximately 10,123 holders of common equity security of the Company as of January 31, 2013.*

	Stockholder Name	No. of Common Shares	Percentage (of Common Shares)
1.	Ayala Corporation	6,934,509,515	50.4253%
2.	PCD Nominee Corporation (Non-Filipino)	5,557,328,786	40.4110%
3.	PCD Nominee Corporation (Filipino)	966,294,100	7.0265%
4.	ESOWN Administrator 2009	21,372,060	0.1554%
5.	ESOWN Administrator 2012	19,329,054	0.1405%
6.	ESOWN Administrator 2010	18,028,882	0.1311%
7.	ESOWN Administrator 2011	12,953,414	0.0942%
8.	Jose Luis Gerardo Yulo	10,653,030	0.0775%
9.	ESOWN Administrator 2006	8,455,712	0.0615%
10.	ESOWN Administrator 2008	6,754,140	0.0491%
11.	ESOWN Administrator 2005	6,124,863	0.0445%
12.	Estrellita B. Yulo	5,732,823	0.0417%
13.	Pan Malayan Management and Investment Corporation	4,002,748	0.0291%
14.	Ma. Angela Y. La'ò	3,728,620	0.0271%
15.	ESOWN Administrator 2007	3,720,853	0.0270%
16.	Ma. Lourdes G. Latonio	3,624,650	0.0263%
17.	Lucio W. Yan	3,483,871	0.0253%

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

	Stockholder Name	No. of Common Shares	Percentage (of Common Shares)
18.	Telengtan Brothers and Sons, Inc.	3,480,000	0.0253%
19.	Xavier P. Loinaz	2,605,550	0.0189%
20.	Edan Corporation	2,261,974	0.0164%

Voting Preferred Shares: *There are approximately 2,673 holders of voting preferred shares of the Company as of January 31, 2013.*

	Stockholder Name	No. of Voting Preferred 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	1.1966%
4.	DB Manila OBO Custody Clients	49,550,880	0.3792%
5.	HSBC Manila OBO A/C 000-171512-571	15,051,000	0.1152%
6.	Wealth Securities, Inc.	14,825,373	0.1135%
7.	Samuel Villes Santos and/or Luzviminda Lat Santos	12,001,800	0.0918%
8.	Investors Securities, Inc.	6,251,770	0.0478%
9.	First Metro Securities Brokerage Corp.	5,103,853	0.0391%
10.	HSBC Manila OBO A/C 000-171512-551	4,484,748	0.0343%
11.	Deutsche Regis Partners, Inc.	3,896,157	0.0298%
12.	Papa Securities Corporation	3,536,538	0.0271%
13.	Maybank ATR Kim Eng Securities, Inc.	3,479,514	0.0266%
14.	Ansaldo, Gdinez & Co. Inc.	3,388,848	0.0259%
15.	BPI Securities Corporation	3,331,800	0.0255%
16.	HSBC Manila OBO A/C 000-596528-552	3,239,600	0.0248%
17.	Belson Securities, Inc.	2,800,874	0.0214%
18.	CBNA FAO 60002079572 CITIMNIFOR c/o Carmelynna C. Malabanan	2,725,700	0.0209%
19.	Solar Securities, Inc.	2,661,759	0.0204%
20.	Juan Miguel De Vera Yulo	2,500,000	0.0191%

**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
0.03	May 9, 2007	June 7, 2007	July 3, 2007
0.03	November 20, 2007	December 20, 2007	January 10, 2008
0.03	May 12, 2008	June 11, 2008	June 27, 2008
0.03	November 6, 2008	December 5, 2008	January 8, 2009
0.03	May 12, 2009	June 11, 2009	June 30, 2009
0.03	November 19, 2009	December 18, 2009	January 19, 2010
0.045	June 1, 2010	June 30, 2010	July 23, 2010

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

CASH DIVIDEND (Per Share)			
<u>PESO AMOUNT</u>	<u>DECLARATION DATE</u>	<u>RECORD DATE</u>	<u>PAYMENT DATE</u>
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

**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:

<u>Year</u>	<u>No. of Shares</u>	
	<u>ESOP</u> (exercised)	<u>ESOWN</u> (subscribed)
2010	7.4 Million	25.2 Million
2011	3.2 Million	14.8 Million
2012	6.6 Million	25.2 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 (e) of the SRC, "The sale of capital stock of

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

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a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.”

On July 16, 2012, 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.

The Company had filed a Notice of Exemption with the SEC for the issuance of the 680,000,000 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.”

On March 6, 2013, the Company completed a placement of 399,528,229 Ayala Land common shares at a price of ₱30.50 per share, equivalent to a 3.6% discount on the 5-day volume-weighted average price of the Ayala Land stock, raising an aggregate of about ₱12.2 billion in proceeds. UBS Investment Bank acted as Sole Bookrunner and Placement Agent.

The July 2012 and March 2013 placements were conducted via an overnight bookbuilt offering structured as a top-up placement wherein all proceeds will be received by the Company. Ayala Corporation assisted in facilitating the offering by lending its shares.



# 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 wholly owned and majority owned subsidiaries as of December 31, 2012:

	<u>Percentages of Ownership</u>	
	2012	2011
<b>Property Development</b>		
Alveo Land Corporation	<b>100%</b>	100%
Serendra, Inc.	<b>39</b>	39
Solinea, Inc.	<b>65</b>	65
Serendra, Inc.	<b>28</b>	28
Avida Land Corporation and Subsidiaries	<b>100</b>	100
Buklod Bahayan Realty and Development Corp.	<b>100</b>	100
Avida Sales Corp.	<b>100</b>	100
Ayalaland International Marketing, Ltd.	<b>100</b>	100
Ayalaland International Marketing, SRL	<b>100</b>	100
Amicassa Process Solutions, Inc.	<b>100</b>	100
Avencosouth Corp.	<b>70</b>	–
Amaia Land Co.	<b>100</b>	100
BellaVita Land Corporation	<b>100</b>	100
Roxas Land Corporation	<b>50</b>	50
Amorsedia Development Corporation and Subsidiaries	<b>100</b>	100
OLC Development Corporation and Subsidiary	<b>100</b>	100
HLC Development Corporation	<b>100</b>	100
Allysonia International Ltd.	<b>100</b>	100
Ayala Land Sales, Inc.	<b>100</b>	100
Ayala Land International Sales, Inc.	<b>100</b>	100
Ayalaland International Marketing, Inc.	<b>100</b>	–
Nuevo Centro, Inc.	<b>100</b>	100
Aurora Properties Incorporated	<b>70</b>	70
Vesta Property Holdings, Inc.	<b>70</b>	70
Ceci Realty, Inc.	<b>60</b>	60
Regent Time International, Limited (British Virgin Islands)	<b>100</b>	100
Buendia Landholdings, Inc.	<b>100</b>	100
Red Creek Properties, Inc.	<b>100</b>	100
Crimson Field Enterprises, Inc.	<b>100</b>	100
Crans Montana Holdings, Inc.	<b>100</b>	100

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

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Ecoholdings Company, Inc.	<b>100</b>	100
<b>Shopping Centers</b>		
NorthBeacon Commercial Corporation	<b>100</b>	100
Station Square East Commercial Corporation	<b>69</b>	69
Accendo Commercial Corp.	<b>67</b>	67
Avencosouth Corp.	<b>20</b>	—
ALI-CII Development Corporation	<b>50</b>	50
Primavera Towncentre, Inc.	<b>100</b>	100
Subic Bay Town Centre, Inc.	<b>100</b>	100
Ayala Theatres Management, Inc. and Subsidiaries	<b>100</b>	100
Five Star Cinema, Inc.	<b>100</b>	100
Food Court Company, Inc.	<b>100</b>	100
Leisure and Allied Industries Philippines, Inc.	<b>50</b>	50
Cagayan de Oro Gateway Corp	<b>70</b>	51
Arvo Commercial Corporation	<b>100</b>	100
Cavite Commercial Town Center, Inc.	<b>100</b>	100
<b>Corporate Business</b>		
Laguna Technopark, Inc.	<b>75</b>	75
Ecozone Power Management, Inc.	<b>75</b>	75
Asian I-Office Properties, Inc.	<b>60</b>	60
ALI Property Partners Corp.	<b>68</b>	68
One Dela Rosa Property Development, Inc.	<b>68</b>	68
First Gateway Real Estate Corp.	<b>68</b>	68
Glensworth Development, Inc.	<b>68</b>	68
UP North Property Holdings, Inc.	<b>68</b>	68
Gisborne Property Holdings, Inc.	<b>100</b>	100
Sunnyfield E-Office Corporation	<b>100</b>	100
Asterion Technopod, Incorporated	<b>100</b>	100
Crestview E-Office Corporation	<b>100</b>	100
Summerhill E-Office Corporation	<b>100</b>	100
Hillsford Property Corporation	<b>100</b>	100
<b>Hotels and Resorts</b>		
Ayala Hotels, Inc.	<b>50</b>	50
AyalaLand Hotels and Resorts Corporation and Subsidiaries	<b>100</b>	100
Enjoy Hotels, Inc.	<b>100</b>	100
Cebu Insular Hotel Company, Inc.	<b>63</b>	63
Greenhaven Property Venture, Inc.	<b>100</b>	100
Southcrest Hotel Ventures, Inc.	<b>67</b>	67
Northgate Hotel Ventures, Inc.	<b>70</b>	70
North Triangle Hotel Ventures, Inc.	<b>100</b>	100
Ecosouth Hotel Ventures, Inc.	<b>100</b>	100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	<b>80</b>	—
ALI Makati Hotels Property, Inc. (formerly KHI Manila Property, Inc.)	<b>80</b>	—
Ten Knots Phils, Inc.	<b>60</b>	60
Ten Knots Development, Corp.	<b>60</b>	60
ALI Makati Hotels & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	<b>20</b>	20
ALI Makati Hotel Properties, Inc.	<b>20</b>	20

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

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(formerly KHI Manila Properties, Inc.)

**Visayas Mindanao**

Adauge Commercial Corporation **100** –

**International**

First Longfield Investments Limited (Hongkong company) **100** 100

Green Horizons Holdings Limited **100** 100

Regent Wise Investments Limited (Hongkong company) **100** 100

**SUPPORT BUSINESS**

**Construction**

Makati Development Corporation and Subsidiaries **100** 100

MDC - Build Plus, Inc. **100** 100

MDC – Subic **100** 100

**Property Management**

Ayala Property Management Corporation **100** 100

**OTHERS**

MZM Holdings, Inc. **100** 100

Studio Ventures, Inc. **100** 100

AyalaLand Commercial REIT, Inc. **100** 100

Aprisa Business Process Solutions, Inc. **100** 100

Philippine Integrated Energy Solutions, Inc. **60** 60

Directpower Services, Inc. **100** 100

ALInet.com, Inc. **100** 100

CMPI Holdings, Inc. **60** 60

CMPI Land, Inc. **36** 36

Varejo Corp. **100** –

Southgateway Development Corp **100** –

Ayalaland MetroNorth, Inc., **100** –

**Results of Operations for the year ending to December 31, 2012**

Ayala Land, Inc. (“ALI” or “the Company”) posted a record ₱9.04 billion in net income for the year 2012, 27% higher than the ₱7.14 billion recorded the previous year. Consolidated revenues reached ₱54.52 billion, 23% higher year-on-year. Revenues from Real Estate, which comprised the bulk of consolidated revenues, increased by 21% to ₱49.90 billion primarily driven by the robust performance of the Property Development business.

Margins of the Company’s key business lines continued to improve with strict control of project costs and direct operating expenses (discussed below in the Business Segment review). Corporate costs remain under control with the ratio of General and Administrative Expenses (GAE) to revenues maintained at 8% for two consecutive years. With total revenue growth outpacing the growth of total expenses, net income margin before non-controlling interest improved to 19% in 2012 from 18% the previous year.

## Business Segments

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

**Property Development.** Property Development, which includes the sale of residential units, commercial and industrial lots, registered revenues of ₱33.19 billion in 2012, 31% higher than the ₱25.26 billion recorded in 2011.

Revenues from the residential business reached ₱30.88 billion in 2012, 29% higher than the ₱23.99 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 ₱10.39 billion in revenues or an improvement of 9% 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 29% and 37% to ₱7.52 billion and ₱8.29 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 ₱1.55 billion, 85% 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 81% in 2012 to ₱2.31 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 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 ₱8.78 billion in 2012, 18% higher than the ₱7.46 billion recorded the previous year.

Revenues from Shopping Centers increased by 18% to ₱5.85 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

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

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de Oro and the New Glorietta, resulted in an 8% expansion in occupied GLA. The earnings before interest, taxes, depreciation and amortization (EBITDA) margin of shopping centers increased to 62% from 60% the previous year due to improved mall operations and effective management of direct operating expenses. Average occupancy rate across all malls slightly dropped to 94% compared with 96% in 2011 due to the additional GLA from newly-opened malls.

Revenues from Office leasing operations rose by 18% to ₱2.94 billion in 2012 from ₱2.50 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 occupied 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 ₱5.48 billion in 2012. This was 13% 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, or the revenue from third-party minority interests in Ayala Land projects, 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 16% to ₱1.29 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 Investees, Interest, Fees, Investment and Other Income**

Equity in Net Earnings from Investees rose by 48% to ₱1.33 billion in 2012 from ₱899 million the previous year, mainly as a result of higher contributions from the projects of BG West Properties Inc., BG South Properties Inc. and BG North Properties Inc., joint venture companies for the residential condominium projects of ALP, Alveo and Avida in BGC. Interest, Investment and Other Income meanwhile grew by 58% to ₱3.29 billion in 2012 compared with the ₱2.08 billion the previous year. The increase was accounted for mostly by higher average cash

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

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balance, increase in management fees and the accretion of interest income from the sale of ₱4.31 billion worth of receivables.

### Expenses

Total expenses amounted to ₱41.30 billion in 2012, 23% more than the ₱33.50 billion incurred in 2011. Cost of Sales from Real Estate, which accounted for the bulk of expenses, rose 20% year-on-year to ₱33.44 billion. GAE meanwhile grew by 28% to ₱4.44 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 65% year-on year to ₱3.42 billion, mostly due to higher financing charges related to the sale of receivables and additional borrowings. 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 Bond issued in 2012 brought Cash and Cash Equivalents to ₱28.60 billion. Current Ratio stood at 1.40: 1, with total borrowings at ₱69.45 billion as of December 2012. Debt-to-Equity Ratio was at 0.84: 1 while Net Debt-to-Equity Ratio increased to 0.49: 1. Return on equity increased one-percentage point year-on-year to 13% in 2012.

### Key Financial Performance Indicators

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

	<i>End 2012</i>	<i>End 2011</i>
Current ratio <sup>1</sup>	<i>1.40:1</i>	<i>1.65:1</i>
Debt-to-equity ratio <sup>2</sup>	<i>0.84:1</i>	<i>0.55:1</i>
Net debt(cash)-to-equity ratio <sup>3</sup>	<i>0.49:1</i>	<i>0.15:1</i>

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

	2012	FY 2011
Return on assets <sup>4</sup>	5.4%	5.9%
Return on equity <sup>5</sup>	12.6%	11.8%

<sup>1</sup> Current assets / current liabilities

<sup>2</sup> Total debt (includes short-term debt, long-term debt and current portion of long term debt) / stockholders' equity attributable to equity holders of Ayala Land, Inc.

<sup>3</sup> Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity attributable to equity holders of Ayala Land, Inc.<sup>4</sup>Total Net income / average total assets

<sup>5</sup>Total Net income / average stockholders' equity

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

**Income Statement Items –2012 versus 2011**

*21% 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.

*64% 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.

*48% increase in equity in net earnings of associates and jointly controlled entities*

Largely due to higher contribution from BG North Inc., BG West Inc. and BG South Inc.

*34% increase in other income*

Mainly due to higher development management fees and foreign exchange gains.

*20% increase in real estate costs and expenses*

Mainly due to higher real estate revenues and consolidation of AMHRI and AMHPI.

*28% increase in general and administrative expenses*

Primarily due to higher payroll costs and start up costs for new hotels.

*62% increase in interest expense and other financing charges*

Mainly due to higher debt levels.

*87% increase in other charges*

Largely due to provisions for impairment.

*10% increase in provision for income tax*

Mainly due to higher taxable income for the period.

*36% increase in net income attributable to non-controlling interests*

Primarily due to higher income from NUVALI companies.

**Balance Sheet Items – 2012 versus 2011**

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

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### *16% 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.

### *91% decrease in short-term investments*

Primarily due to maturity of short-term investments.

### *Increase in financial assets at fair value through profit or loss and available-for-sale financial assets*

Mainly due to reclassification of investment in Arch Capital Asian Partners L.P.

### *58% increase in accounts and notes receivables (net)*

Largely due to launch of new residential projects and higher bookings.

### *10% increase in real estate inventories*

Mainly due to incremental project completion of existing and new projects.

### *96% increase in other current assets*

Mainly due to prepayments on Alveo and Avida land acquisitions.

### *42% increase in non-current accounts and notes receivables*

Largely due to increased sales of Ayala Land Premier, Avida and higher bookings of Alveo projects.

### *36% decrease in available-for-sale financial assets*

Largely due to sale of fixed income securities of ALI-Parent.

### *155% increase in land and improvements*

Mainly due to acquisition of Food Terminal Inc. property.

### *20% increase in investment properties*

Largely due to new projects such as Holiday Inn & Suites Makati, Seda Hotels, Centrio Mall and Ayala Center redevelopment.

### *207% increase in property and equipment*

Mainly due to acquisition of AMHRI & AMHPI.

### *43% increase in other noncurrent assets*

Mainly due to exploratory expenses and goodwill on hotel acquisition.

### *36% increase in accounts and other payables*

Primarily due to increase in trade payables with the completion of existing and new projects.

### *100% increase in short-term debt*

Mainly due to new loan availment of ALI-Parent, Alveo, Avida and ALI Property Partners Corporation (APPCO).

### *297% increase in income tax payable*

Primarily due to the higher taxable income.

### *310% increase in current portion of long-term debt*



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

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Primarily due to ALI-Parent bonds payable.

*268% increase in other current liabilities*

Mainly due to increase in customer deposits.

*90% increase in long-term debt - net of current portion*

Primarily due to new issuance of fixed rate bonds and higher interest expense.

*27% decrease in pension liabilities*

Primarily due to higher contribution of companies with net liability position.

*65% increase in deposits and other non-current liabilities*

Primarily due to increase in customer and security deposits, and deferred income from projects.

*14% increase in retained earnings*

Mainly due to increase in income.

*8% decrease in stock options outstanding*

Primarily due to issuance of ESOP shares.

*27% decrease in 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.

*5% decrease in non-controlling interests in net assets of subsidiaries*

Largely attributed to redemption of shares for APPCO, Accendo and AHI.

### **Review of 2011 Operations versus 2010**

The Company posted a record consolidated net income of ₱8.09 billion for the year 2011, 29% higher than the ₱6.29 billion generated the previous year. Net of non-controlling interests, net income attributable to equity holders of Ayala Land, Inc. amounted to ₱7.14 billion, which was 31% higher than the ₱5.46 billion recorded in 2010. Consolidated revenues reached ₱44.21 billion, 17% higher year-on-year. Revenues from Real Estate and Hotels, which comprised bulk of consolidated revenues, increased by 16% to ₱41.23 billion with growth largely driven by the strong 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 have also been contained, resulting to the drop in the ratio of General and Administrative Expenses (GAE) to revenues, from 8.4% in 2010 to 7.9% in 2011. With total revenues growing faster than total expenses, net income margin improved to 16% in 2011 from 14% 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, as well as the sale of commercial and industrial lots, posted revenues of ₱25.26 billion in 2011, 27% higher than the ₱19.85 billion reported in 2010.

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

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Revenues from the residential segment reached ₱23.99 billion in 2011, 29% higher than the ₱18.60 billion reported the previous year, driven by the higher bookings and steady progress on construction across all residential brands. Ayala Land Premier (ALP) generated ₱9.51 billion in revenues or an improvement of 36% year-on-year on the back of a 35% growth in bookings and the construction progress in projects such as Park Terraces 1 and 2 in Makati City, and Santierra and Elaro in NUVALI. Alveo and Avida also posted year-on-year revenue growth of 15% and 44% to ₱5.83 and ₱6.06 billion, respectively, following the strong sales of newly-launched projects such as Sedona Parc (Cebu) and Venare (NUVALI) for Alveo, and Avida Towers Centera 1 and 2 (Mandaluyong City) and the second tower of Avida Towers Cebu. New residential brand Amaia further contributed to residential revenues in 2011 as it generated ₱841 million largely from the full year impact of its maiden project AmaiaScapes Laguna.

Sales take-up value in 2011 reached ₱51.72 billion, equivalent to an average monthly sales take-up of ₱4.31 billion and 56% higher than the ₱2.76 billion average monthly sales take-up achieved the previous year. Residential gross profit (GP) margins of vertical projects improved to 33% from 31% with the impact of various measures designed to lower project construction costs, while GP margins of horizontal developments declined slightly to 46% from 47% 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 20,613 units in 2011. For 2012, the Company is anticipating continued demand for residential products and will be launching about 24,800 units across all residential brands.

Revenues from the sale of commercial and industrial lots grew by 2% in 2011 to ₱1.27 billion, largely due to the sale of 14 commercial lots in NUVALI. GP margins improved to 54% from 45% as the NUVALI commercial lots carried higher margins compared to the industrial lots in Laguna Technopark that were sold in 2010.

**Commercial Leasing.** Commercial Leasing includes the Company's Shopping Center and Office Leasing operations. Total revenues for Commercial Leasing amounted to ₱7.46 billion in 2011, 16% higher than the ₱6.45 billion recorded the previous year.

Revenues from Shopping Centers increased by 14% to ₱4.96 billion in 2011, driven by higher average occupancy and lease rates. Average occupancy rate across all malls reached 96% compared with 94% in 2010. The opening of Abreeza Mall in Davao City and Solenad 2 in NUVALI, coupled with the continued improvements in the occupancy of Market! Market! and MarQueue Mall, resulted in a 9% expansion in occupied gross leasable area (GLA). This more than offset the additional closures in Glorietta effected in early 2011 due to the Ayala Center redevelopment. Average lease rates also rose in 2011 by 7% brought about by negotiated and programmed rental escalations. The retail environment remained buoyant as same-store sales for all building and land leases increased by 5% and 3%, respectively. The EBITDA margin of Shopping Centers improved to 60% from 59% the previous year with the higher occupancy and lease rates across all malls and effective management of direct operating expenses.

Revenues from Office leasing operations rose by 19% to ₱2.50 billion in 2011 from ₱2.11 billion the previous year. The revenue growth was generated by the significant increase in occupied GLA of business process outsourcing (BPO) office spaces, which increased by 22% year-on-year (equivalent to 41,220 square meters). Total available BPO GLA reached 315,736 square meters as of year-end, while average BPO lease rates remained steady at ₱580 per square meter. This was achieved despite a change in the portfolio mix as most of the increase in

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

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occupied GLA occurred in provincial (and therefore lower rent) locations. The improvement in occupied BPO occupied space accounted for the one percentage-point improvement in the EBITDA margin of the total office portfolio, which reached 80% in 2011.

**Hotels and Resorts.** Revenues of the Company's Hotels and Resorts business improved by 18% to ₱2.24 billion in 2011. This was largely due to the impact of the consolidation of the El Nido Resorts operations in Palawan, through the acquisition of a 60% stake in the Ten Knots Group in April 2010. A total of 150 island resort rooms in Lagen, Miniloc and Apulit Island (formerly Club Noah) were added to the Hotels and Resorts portfolio that operates 634 hotel rooms between Hotel InterContinental Manila and Cebu City Marriott. EBITDA margins for Hotels and Resorts however declined to 29% from 33% with the start-up costs of Apulit Island resort and the pre-operating expenses of the upcoming Kukun hotels. The Company is currently constructing its first four owner-operated businessman's hotels under its own brand Kukun in Bonifacio Global City, Cagayan de Oro, Davao and NUVALI. The first two hotels are expected to begin operations this year.

**Services.** Services, comprised of the Company's wholly-owned Construction and Property Management businesses, generated combined revenues (net of inter-company eliminations) of ₱6.26 billion in 2011. This was 13% lower than the ₱7.21 billion posted in 2010 following the Company's deliberate move to focus on internal projects in its construction operations. Only revenues from third-party contracts, or the revenue share of third-party minority interests in internal projects, are reflected as construction revenues in consolidated Company accounts. The decline in Construction revenues more than offset the 7% growth in Property Management revenues, which reached ₱1.11 billion in 2011 with the addition of new carpark management contracts, compared with ₱1.03 billion the previous year. Before inter-company eliminations, however, Construction revenues grew by 42% to ₱13.77 billion. The blended EBITDA margin for Services improved by one percentage-point to 8%.

The Company and Manila Water Company (MWC) entered into a joint venture (JV) Memorandum of Agreement on April 6, 2010 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 company has not been established as of December 31, 2011. A separate disclosure on project cost will be made as soon as negotiations are finalized. The target completion date is by end of 2012.

The Company has signed a 50-year lease agreement with the Subic Bay Metropolitan Authority (SBMA) on October 16, 2009, 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.

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

Equity in Net Earnings from Investees declined by 1% to ₱899 million in 2011 from ₱906 million the previous year, as a result of lower contribution from Fort Bonifacio Development Corporation with the deliberate slowdown in commercial lot sales at Bonifacio Global City. This was countered by the stronger performance of TriNoma, which is accounted for under the equity method, and the mark-to-market gains on the investment holdings of First Longfield Investments Ltd. (investment vehicle for ARCH Capital Partners L.P.). Interest, Investment and Other Income meanwhile increased by 38% to ₱2.08 billion in 2011 compared with the ₱1.50 billion the previous year. The increase was accounted for mostly by the higher interest income earned

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

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from higher average cash balances for the period and gains from the Company's divestment of its ownership stake in ARCH Capital Management Co., Ltd. in March 2011.

### Expenses

Total expenses amounted to ₱33.50 billion in 2011, 12% more than the ₱29.95 billion incurred in the 2010. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose 12% year-on-year amounting to ₱27.94 billion. General and administrative expenses (GAE) meanwhile grew by 9% to ₱3.48 billion, largely because of payroll-related expenses, but significantly slower than overall revenue growth thus allowing the GAE-to-revenue ratio to decline to 7.9% from 8.4% in 2010. Interest Expense, Financing and Other Charges increased by 14% year-on year to ₱2.08 billion, mostly due to higher interest charges with the additional ₱10.0 billion in fixed-rate corporate notes issued by the Company in January 2011. While total financing charges increased, the average cost of the Company's consolidated debt decreased to 6.3%, from 7.5% in 2010.

Accrued expenses amounting to ₱4.3 billion consisted mainly of light and power, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security, insurance and representation. The following is the breakdown of the accrued expenses:

<b>Nature</b>	<b>Amount</b>
Accrued Project Cost	437,815
Accrued Project Cost – Others	1,336,051
Accrued Expense – Repairs and Maintenance	353,949
Accrued Expense – Advertising and Promotions	157,506
Accrued Expense – Professional / Management Fees	136,950
Accrued Expense – Rental Expenses	111,910
Accrued Expense – Light and Water	103,693
Accrued Expense – Compensation and Benefits	50,499
Accrued Expense – Others	1,648,987
<b>Total</b>	<b>₱4,337,360</b>

### Project and Capital Expenditure

The Company spent a record high of ₱29.91 billion for project and capital expenditures in 2011, 49% more than the ₱20.06 billion spent the previous year. Residential development accounted for 53% of the total, while 18% was spent for land acquisition. Shopping centers, hotels and resorts, other land development activities and BPO offices accounted for the balance of 14%, 6%, 5% and 4%, respectively. For 2012, the Company has earmarked another ₱37.0 billion for capital expenditures largely for the completion of ongoing developments, the launch of new residential and leasing projects, and the acquisition of new landbank which will help sustain the Company's growth trajectory over the coming years.

### 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 ₱10.0 billion notes issued at the start of 2011 brought Cash and Cash Equivalents to ₱24.60 billion, with a corresponding

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

Current Ratio of 1.65: 1. Total Borrowings stood at ₱34.53 billion as of December 2011 from ₱20.97 billion the previous year, translating to a Debt-to-Equity Ratio of 0.55: 1 and a Net Debt-to-Equity Ratio of 0.16: 1.

Retained earnings amounting to ₱6.0 billion was appropriated for future expansion (see Note 20 of AFS). In the normal course of business of ALI, that represents continuing appropriation for land banking activities and planned building construction project. Each year ALI incurred 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 2012, 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.

As of December 31, 2012, retained earnings available for dividend declaration adjusted amounts to ₱19.9 billion as stated in the audited financial statements. Subsequently, on February 19, 2013, the Company declared 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. On the same date, BOD declared annual cash dividends of 4.74786% per annum amounting to ₱62.0 million or ₱0.00474786 per share to all shareholders of the Company's outstanding unlisted voting preferred shares with record date of June 14, 2013 and payment date of July 1, 2013.

### **Key Financial Performance Indicators**

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

	<i>End 2011</i>	<i>End 2010</i>
Current ratio <sup>1</sup>	<i>1.65:1</i>	<i>1.67:1</i>
Debt-to-equity ratio <sup>2</sup>	<i>0.55:1</i>	<i>0.37:1</i>
Net debt(cash)-to-equity ratio <sup>3</sup>	<i>0.15:1</i>	<i>0.02:1</i>
	<i>FY 2011</i>	<i>FY 2010</i>
Return on assets <sup>4</sup>	<i>5.9%</i>	<i>5.5%</i>
Return on equity <sup>5</sup>	<i>11.8%</i>	<i>10.1%</i>

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt (includes short-term debt, long-term debt and current portion of long term debt) / stockholders' equity attributable to equity holders of Ayala Land, Inc.*

<sup>3</sup> *Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity attributable to equity holders of Ayala Land, Inc.*

<sup>4</sup> *Total Net income / average total assets*

<sup>5</sup> *Total Net income / average stockholders' equity*

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2011.

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

**Income Statement Items – 2011 versus 2010**

*16% increase in real estate revenues*

Mainly due to higher residential sales bookings, incremental project completion and sale of commercial lots in NUVALI.

*18% increase in hotel revenues*

Primarily due to impact of full year consolidation of El Nido Resorts operations in Palawan.

*56% increase in interest and investment income*

Largely due to higher income from money market placements and divestment of ownership stake in ARCH Capital Management Co., Ltd.

*12% increase in real estate cost and 15% increase in hotel expenses*

Mainly due to higher real estate revenues and consolidation of El Nido Resorts operations.

*9% increase in general and administrative expenses*

Primarily due to higher payroll costs and benefits.

*22% increase in interest and financing expenses*

Mainly due to higher debt levels.

*30% decrease in other charges*

Mainly due to lower provisions for bad debts and impairment

*67% increase in provision for income tax*

Mainly due to higher taxable income.

*15% increase in net income attributable to minority interests*

Primarily due to higher income from Ayala Property Partners Corp., Ceci Realty, Inc. and Vesta Property Holdings, Inc.

**Balance Sheet Items – 2011 versus 2010**

*37% increase in cash and cash equivalents*

Mainly due to additional borrowings and collections from new projects.

*87% decrease in short-term investments*

Primarily due to liquidation of short-term investments to fund property acquisition.

*100% decrease in financial assets at fair value through profit or loss*

Primarily due to maturity of fixed income securities.

*31% increase in accounts and notes receivables (net)*

Largely due to launch of new residential projects.

*52% increase in real estate inventories*

Mainly due to incremental project completion of existing and new projects.

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

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### *49% increase in other current assets*

Mainly due to higher prepaid expenses for commissions and marketing fees and increase in creditable withholding tax and value-added input tax following the acquisition of properties for development by Alveo Land and Avida Land.

### *50% increase in non-current accounts and notes receivables*

Largely due to sale of new residential projects.

### *17% increase in land and improvements*

Primarily due to acquisition of sites for new projects.

### *16% increase in investments in associates and jointly controlled entities*

Mainly due to additional equity infusions in Regent Wise Investments Limited, First Longfield Investments and in newly established jointly controlled entities: BG West Properties, Inc., BG South Properties, Inc., and BG North Properties, Inc.

### *18% increase in investment properties (net)*

Primarily due to completion of malls and office buildings.

### *29% increase in property and equipment*

Largely due to purchases of AyalaLand Hotels and Resorts Corp., Phil. Energy and Accendo Commercial Corp., and modernization of Makati Development Corp.

### *6% decrease in deferred tax assets (net)*

Mainly due to realization of gains on real estate sales.

### *8% increase in other non-current assets*

Largely due to increase in construction guarantee and other deposits.

### *47% increase in accounts and other payables*

Primarily due to increase in trade payables with the completion of new projects.

### *61% increase in short-term debt*

Mainly due to additional bank loans of ALI Parent.

### *149% increase in income tax payable*

Primarily due to higher provisioning of Vesta Property Holdings, Inc., ALI Property Partners Corp., and Alveo Land.

### *33% decrease in current portion of long-term debt*

Largely due to loan payments of ALI Parent.

### *45% decrease in other current liabilities*

Mainly due to lower customer deposits from residential projects.

### *79% increase in long-term debt - net of current portion*

Primarily due to fixed-rate corporate notes issued by ALI Parent.

### *16% decrease in pension liabilities*

Mainly due to adjustments made to reflect latest actuarial valuation.

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

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### *25% increase in deferred tax liabilities (net)*

Mainly due to increase in deferred tax liabilities of Serendra, ALI Parent and Alveo Land.

### *19% increase in deposits and other noncurrent liabilities*

Mainly due to security deposits of new shopping center tenants

### *13% increase in retained earnings*

Primarily due to the increase in net income.

### *15% increase in stock options outstanding*

Largely due to revaluation of unsubscribed ESOWN shares.

### *33% increase in unrealized gain on available-for-sale financial assets*

Mainly due to revaluation of fixed income securities.

### *12% increase in noncontrolling interests*

Primarily due to capital infusions to Solinea Inc., Cagayan de Oro Gateway Corp. and Phil. Energy of respective partners.

## **Review of 2010 Operations versus 2009**

### **Results of Operations**

Ayala Land posted a record ₱5.46 billion in net income for the year 2010, 35% higher than the ₱4.04 billion recorded the previous year. The Company's net income of ₱1.52 billion in the fourth quarter was also a new record for core quarterly earnings and was the 7<sup>th</sup> straight quarter of positive earnings growth.

Consolidated revenues in 2010 reached ₱37.81 billion, 24% higher year-on-year. Real Estate and Hotel revenues increased by 28% to ₱35.41 billion, with robust growth across all major business lines. Margins of the Company's residential, shopping center and corporate businesses continued to improve. Corporate cost control has also been improving with the continued drop in the ratio of General and Administrative Expenses ("GAE") to revenues, from 9% in 2009 to 8% in 2010. With total revenues growing faster than total expenses and the effective income tax rate steady at 20%, net income margin improved to 14% in 2010 from 13% the previous year.

### **Business Segments**

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

**Residential Development.** Residential revenues reached ₱16.64 billion in 2010, 16% higher than the ₱14.34 billion reported the previous year, as the combined value of bookings for all residential brands more than doubled to ₱24.00 billion. ALP generated revenues of ₱7.22 billion in 2010, up 10% year-on-year. ALP accounted for 43% of total residential revenues following the strong sales of Park Terraces (Makati) and Serendra West Tower (BGC) condominium units as well as Santierra lots in NUVALI. Alveo and Avida meanwhile also posted year-on-year revenue growth of 26% and 15%, respectively, with higher bookings from the success of new launches such as Meranti (BGC) and Venare (NUVALI) for Alveo and Avida Towers Cebu and Alabang for Avida. Together with newly launched fourth brand Amaia Land, the Company's four residential brands launched a total of 10,115 units in 2010, more than three times the number launched the previous year. This resulted in a strong sales take-up value of ₱33.14 billion in



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

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2010, averaging nearly ₱2.8 billion of sales take-up every month. Residential Gross Profit (GP) margins of horizontal developments improved to 43% in 2010 from 41% the previous year, while GP margins of vertical projects improved to 28% from 26%. For 2011, the Company is anticipating continued demand for residential products and will be launching over 20,000 units across all residential brands with an estimated sales value of ₱57.0 billion.

**Shopping Centers.** Total revenues for shopping centers amounted to ₱4.60 billion in 2010, 3% higher than the previous year. This was driven by the 1% expansion in occupied GLA as the continued ramp-up of MarQueue Mall in Pampanga and the improved occupancy rate at Glorietta 5 more than offset the closure of Glorietta 1. The retail environment remained buoyant as same-store sales for all building and land leases increased by 7% year-on-year. The revenue impact of the higher average occupancy rates (which reached 94% for all malls, from 92% in 2009) however was tempered by a 2% decline in average rental rates due to product mix with lower per sqm building lease rates in MarQueue Mall and Glorietta 5 compared with what was previously achieved in Glorietta 1. Shopping Centers EBITDA margins improved slightly to 63% from 62% with an improved portfolio performance despite the continuing impact of the Ayala Center redevelopment. For 2011, the Company is set to start the operations of additional 126,000 sqm of GLA with the opening of Abreeza Mall in Davao and Harbor Point in Subic, among others. The Company will also launch a total of eight new projects across the country this year, adding add another 175,000 sqm of GLA to the portfolio over the next few years.

**Corporate Business.** Revenues from the Company's office building portfolio reached ₱2.40 billion in 2010, compared with ₱1.99 billion the previous year. The 21% improvement in office building revenues was generated by the significant increase in occupied BPO office GLA, which increased by 34% (equivalent to 48,725 sqm) year-on-year, as the outlook and demand for BPO space continue to improve. Total available BPO GLA has now reached 272,676 sqm with an occupancy rate of 70% (and an 88% lease-out rate) compared with 55% a year ago. Average BPO lease rates increased by 1% due to programmed escalations despite changes in the portfolio mix as most of the increase in occupancy in 2010 occurred in the Company's non-CBD locations, which carry lower average lease rates. The higher occupancy rate of the BPO portfolio mainly accounted for the improvement in EBITDA margins which increased from 62% to 68% in 2010. For 2011, the Company continues to see positive prospects for expansion within and outside Metro Manila and will begin the construction of additional 200,000 sqm of GLA. The Company will also start the operation of five new BPO buildings in 2011 in Baguio, NUVALI, Iloilo, Bacolod and Cebu totaling 55,000 sqm of GLA.

**Strategic Landbank Management and Visayas-Mindanao.** Revenues from the Strategic Landbank Management Group (SLMG) and the Visayas-Mindanao Group amounted to ₱3.15 billion in 2010, 34% higher than the previous year, largely due to overrides on the successful sales performance of Park Terraces in Makati and Santierra in NUVALI, as well as some commercial lot sales in NUVALI. GP margins likewise improved to 56% from 48% with significant bookings in higher-margin override units.

**Other Businesses.** Other Businesses, namely Construction, Property Management and Hotels, generated combined revenues (net of inter-company eliminations) of ₱8.86 billion in 2010, 79% higher than the ₱4.96 billion posted the previous year. The improvement came largely from the higher completion of external construction projects and improving hotel operations combined with the impact of the consolidation of the El Nido resort operations. Total EBITDA for Other Businesses in aggregate also improved by 5% to ₱899 million but EBITDA margins went down by 10% compared with 17% in 2009. This was due to a decline in margins

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

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on external construction projects of MDC, lower margins for the El Nido resort operations and some start-up costs for new carparks being managed by APMC.

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

Equity in Net Earnings from Investees declined by 6% to ₱906 million in 2010 from ₱968 million the previous year as a result of lower contribution from Fort Bonifacio Development Corporation with the deliberate slowdown in commercial lot sales at BGC. This offset the stronger performance of shopping center joint ventures accounted for under the equity method, particularly TriNoma and Alabang Town Center, and affiliate CHI which also saw an improvement in the performance of Ayala Center Cebu. Interest, Investment and Other Income likewise decreased by 10% to ₱1.27 billion in 2010, compared with the ₱1.41 billion the previous year due to lower interest rates on the Company's cash balances.

### **Expenses**

Total expenses amounted to ₱29.95 billion, 22% more than the ₱24.61 billion spent in 2009. Cost of Sales from Real Estate and Hotels, which accounted for the bulk at ₱24.95 billion, rose by 31% year-on-year largely because of higher construction activity on external MDC projects. GAE meanwhile grew by 14% to ₱3.19 billion due to the donation of a parcel of land in NUVALI to Xavier School as part of the Company's priming efforts for the area. Despite this, the GAE-to-revenue ratio dropped to 8% from 9% last year due to effective corporate cost control measures. Meanwhile, Interest Expense and Other Financing Charges declined by 35% to ₱1.82 billion due to the absence of provisions for impairment (which were recorded in 2009) as well as the lower average cost of debt on the Company's borrowings.

### **Project and Capital Expenditures**

The Company spent a total of ₱20.1 billion for project and capital expenditures in 2010, 44% more than the ₱14.0 billion spent in 2009. Residential Development accounted for almost half of the total or 47%, while Hotels spent another 17%. Strategic Landbank Management and the Visayas-Mindanao groups, Shopping Centers and Corporate Business accounted for the balance of 16%, 14% and 6%, respectively. For 2011, the Company has earmarked another ₱32.6 billion for capital expenditures largely for the completion of ongoing developments, the launch of new residential and leasing projects, and the expected acquisition of new landbank which will help sustain the Company's strong growth trajectory over the coming years.

### **Financial Condition**

The Company's balance sheet continued to be robust with strong cash inflows from the successful pre-sales of various residential launches. Cash and Cash Equivalents stood at ₱19.9 billion with a Current Ratio of 1.67: 1. Total Borrowings stood at ₱21.0 billion from ₱18.8 billion as of December 2009, translating to a Debt-to-Equity Ratio of 0.37: 1 and a Net Debt-to-Equity Ratio of 0.02: 1. This gives the Company significant capacity to take on additional borrowings to support its aggressive growth plans for the next few years. In January 2011, the Company raised ₱10.0 billion through the issuance of fixed-rate corporate notes, consisting of ₱5.7 billion in 5-year notes, ₱3.3 billion in 10-year notes, and ₱1.0 billion in 15-year notes. This was notable in that it allowed the Company to take advantage of the attractive financing window and lower its borrowing cost and also because the 15-year tranche was the first such fixed-rate issue by a Philippine corporate and enables the Company to more effectively match the duration of its landbank assets with its financial liabilities.

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

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### **Key Financial Performance Indicators**

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

	<i>End- 2010</i>	<i>End-2009</i>
Current ratio <sup>1</sup>	1.67:1	1.95:1
Debt-to-equity ratio <sup>2</sup>	0.37:1	0.36:1
Net debt(cash)-to-equity ratio <sup>3</sup>	0.02:1	0.06:1
	<i>FY 2010</i>	<i>FY 2009</i>
Return on assets <sup>4</sup>	5.5%	3.9%
Return on equity <sup>5</sup>	10.1%	8.0%

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total debt (includes short-term debt, long-term debt and current portion of long term debt) / stockholders' equity attributable to equity holders of Ayala Land, Inc.*

<sup>3</sup> *Interest-bearing debt less cash, cash equivalents & investment in government securities / stockholders' equity attributable to equity holders of Ayala Land, Inc.*

<sup>4</sup> *Total Net income attributable to equity holders of Ayala Land, Inc / average total assets*

<sup>5</sup> *Total Net income attributable to equity holders of Ayala Land, Inc / average stockholders' equity*

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

There were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2010.

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

#### **Income Statement Items – 2010 versus 2009**

##### *27% increase in real estate revenues*

Mainly due to higher sales from newly launched residential projects such as Park Terraces, Serendra West Tower and Santierra of ALP and Meranti of Alveo, and growth in Construction business.

##### *33% increase in hotel revenues*

Primarily due to higher occupancy and REVPAR at InterContinental Hotel Manila and Cebu City Marriott, and consolidation of El Nido resort operations.

##### *5% decline in interest income*

Mainly due to lower interest rates on money market placements.

##### *6% decrease in equity in net earnings of associates and jointly controlled entities*

Largely due to lower contribution from Fort Bonifacio Development Corporation despite of better performance of affiliate investments CHI and shopping center joint ventures accounted for under the equity method.

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### *31% decline in other income*

Mainly due to lower development management fees from third party projects.

### *31% increase in real estate costs and expenses*

Mainly due to higher real estate revenues and construction activity on external MDC projects.

### *14% increase in general and administrative expenses*

Primarily due to higher payroll costs and benefits.

### *14% increase in interest expense and other financing charges*

Mainly due to new and additional loans.

### *43% increase in hotel and resort operation costs and expenses*

Primarily due to higher hotel occupancy levels and consolidation of Ten Knots Group.

### *81% decrease in other charges*

Largely due to absence of provision for impairment.

### *35% increase in provision for income tax*

Mainly due to higher taxable income for the period.

### *29% increase in net income attributable to noncontrolling interests*

Primarily due to higher income from NUVALI companies, ALI Property Partners Holdings Corp. (APPHC) and Leisure and Allied Industries Philippines, Inc.

## **Balance Sheet Items – 2010 versus 2009**

### *71% increase in cash and cash equivalents*

Mainly due to liquidation of short term investments and fixed income securities, proceeds from pre-selling of residential products and MDC's collection of downpayment from new projects.

### *69% decrease in short-term investments*

Primarily due to maturity of short-term investments.

### *53% decrease in financial assets at fair value through profit or loss and available-for-sale financial assets*

Mainly due to maturity of investments.

### *8% increase in accounts and notes receivables (net)*

Largely due to launch of new projects and higher receivables of MDC from external contracts.

### *63% increase in real estate inventories*

Mainly due to reclassification of NUVALI land from unsubdivided to saleable, and incremental project completion of existing and new projects.

### *18% increase in other current assets*

Mainly due to MDC's prepaid expenses representing cost of materials, equipment rentals and salaries for new and existing projects, and prepaid taxes.

### *69% increase in non-current accounts and notes receivables*

Largely due to trade receivables of Alveo, Avida and Vesta Property Holdings, Inc.

### *7% decrease in land and improvements*

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

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Mainly due to reclassification of NUVALI land from unsubdivided to saleable.

*6% increase in investment properties*

Largely due to disbursements related to the construction of Abreeza Mall.

*24% increase in property and equipment*

Mainly due to consolidation of Ten Knots Group.

*92% increase in deferred tax assets*

Largely due to unrealized gain on real estate projects under construction.

*46% increase in other noncurrent assets*

Mainly due to increase in utility and other deposits.

*34% increase in accounts and other payables*

Primarily due to increase in trade payables with the completion of existing and new projects, and increase in accrued and taxes payable.

*77% increase in short-term debt*

Mainly due to new loan availment of ALI-parent, Avida, APPHC and Laguna Technopark, Inc.

*68% decrease in income tax payable*

Largely due to income tax payments made by Aurora Properties Inc. and Ceci Realty, Inc.

*516% increase in current portion of long-term debt*

Primarily due to reclassification of ALI-parent and APPHC loans payable from non-current to current.

*6% decrease in other current liabilities*

Mainly due to decrease in customer deposits.

*6% decrease in long-term debt – net of current portion*

Mainly due to reclassification of ALI-parent and APPHC loans from non-current to current, and loan pretermination of Enjay Hotels, Inc.

*63% increase in pension liabilities*

Primarily due to additional retirement contributions.

*296% increase in deferred tax liabilities*

Largely due to Serendra Inc. and consolidation of Ayala Hotels and Resorts Corporation.

*11% decrease in deposits and other noncurrent liabilities*

Primarily due to decrease in customer and security deposits, and deferred interest income on ALI advances and unearned management fees.

*47% increase in deferred credits*

Largely due to unearned revenues and management fees.

*12% increase in retained earnings*

Mainly due to increase in income.

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

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### *12% increase in stock options outstanding*

Primarily due to new ESOWN shares granted in May 2010.

### *145% increase in unrealized gain on available-for-sale financial assets*

Primarily due to revaluation of fixed income securities AFS, and investments in shares of Ayala Corporation and Alabang Country Club.

### *27% increase in non-controlling interests in net assets of subsidiaries*

Largely attributed to APPHC, Ceci Realty, Asian I-Office Properties, Inc. and Ten Knots Group.

## **Review of 2009 Operations versus 2008**

### **Results of Operations**

Ayala Land, Inc. posted a strong financial performance for the full year 2009 despite a challenging macroeconomic environment, especially in the first quarter of last year. Consolidated core net income reached ₱4.04 billion in 2009, nearly matching the record ₱4.13 billion in earnings (excluding large transactions) generated the previous year. The Company's quarterly financial performance also improved steadily, with the ₱1.12 billion in net income generated in the fourth quarter of 2009 up 7% quarter-on-quarter and 16% year-on-year, respectively. This was achieved through a combination of relatively stable operating revenues from key business segments and effective cost control measures.

Consolidated revenues of ₱30.46 billion in 2009 were 10% lower than the ₱33.75 billion recorded the previous year. The decline was accounted for mostly by the 8% drop in revenues from Real Estate and Hotel operations and the absence of capital gains from a large transaction, specifically the sale of the Valero lots in March 2008. Real Estate and Hotel operations revenues were lower, mostly on the Company's decision to reduce its external third-party construction contracts while aggregate consolidated revenues from the company's core residential and leasing operations remained flat.

Despite the lower consolidated revenues, consolidated NOI reached ₱9.03 billion in 2009, declining by only 3% from the ₱9.33 billion posted the previous year. This reflected the overall improvement in blended NOI margins to 32% in 2009 from 30% the previous year. Shopping Centers and Corporate Business margins stabilized as leased-out rates in new malls and BPO office buildings steadily moved up, while an improvement in Strategic Landbank Management margins offset the decline in Residential and Support Businesses margins which were hampered by high input costs at the start of the year. The improvement in NOI margins and a 12% reduction in GAE contributed to narrowing the gap between the after-tax Net Income of ₱4.04 billion in 2009 compared with the ₱4.81 billion (including large transactions) recorded in 2008.

### **Business Segments**

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

***Residential Development.*** Residential Development revenues amounted to ₱14.23 billion in 2009, 6% lower than the ₱15.22 billion posted the previous year, as the combined value of bookings for the three brands dropped due to uncertain market conditions in the first quarter and a limited supply of new product launches in 2009. ALP revenues registered a decline of 15% to ₱6.53 billion as the gradual recovery in demand was not met with adequate inventory.

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

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Meanwhile, Alveo Land and Avida Land both posted growth rates of 2% year-on-year. Alveo's revenues reached ₱4.03 billion while Avida's reached ₱3.67 billion as advancing percentages of completion on projects under construction offset the decline in new bookings. The Residential Business remained the biggest contributor to the Company's NOI, accounting for 43% of total at ₱3.85 billion. NOI margins dropped to 27% from 29% largely because the completion mix was weighted towards the lower-margin products. For 2010, the Company is anticipating a strong turn-around in market conditions and will be launching its most aggressive campaign ever, with over 9,200 units to be launched from 28 projects across all residential brands. 2010 will also be noteworthy for the Company's initial foray into the economic housing segment through a newly established fourth brand known as Amaia Land Corporation, with a maiden project to be launched in Laguna within the first quarter.

**Shopping Centers.** Total revenues for Shopping Centers rose by 4% to ₱4.44 billion in 2009 as its GLA portfolio increased with the opening of MarQueue Mall in Angeles, Pampanga in September 2009. Blended occupancy rates remained at 92% despite the Ayala Center redevelopment-related closures in Glorietta 1 as well as the start-up operations of MarQueue Mall. Average building rent for all malls dropped by 5% to ₱1,019 per sqm per month, mostly due to the lower average lease rates in MarQueue Mall. NOI for Shopping Centers meanwhile improved by 9% to ₱2.34 billion and accounted for 26% of the Company's total NOI. NOI margins also improved to 53% from 50% with the continued ramp-up of new malls. For 2010, the Company will continue with the construction of its Abreeza Mall in Davao, which is expected to open in 2011. It is also expected to launch the Phase 2 development of Ayala Center Cebu, while breaking ground in several other provincial locations for both regional malls as well as its community and neighborhood center products.

**Corporate Business.** Revenues from Corporate Business nearly doubled to ₱1.99 billion in 2009 from ₱1.09 billion the previous year. The growth was derived largely from the expansion of the BPO office portfolio that reached a total of 178,160 sqm of leased-out GLA as of year-end 2009, compared with 82,224 sqm as of year-end 2008. Revenues were also boosted by higher average BPO lease rates that went up by 22% to an average of ₱582 per sqm per month with the start of operations of two higher-yielding BPO office buildings in Makati in 2009 (Solaris One and Glorietta 5 BPO). Meanwhile, the performance of the HQ office buildings continued to be positive. Average lease rates for the HQ buildings increased by 4% to ₱806 per sqm per month on programmed rental escalations as well as above-average renewal rental rates, with occupancy rates remaining high at 96%. NOI meanwhile increased by 86% to ₱1.08 billion in 2009, accounting for 12% of the Company's total. NOI margins also improved to 54% from 53% as a result of improving occupancy rates in the recently opened buildings. For 2010, the Company continues to see positive prospects for expansion in select locations and will begin construction on Two Evotech in Nuvali as well as several other BPO buildings in Luzon and the Visayas region.

**Strategic Landbank Management.** Revenues from the Strategic Landbank Management Group (SLMG) amounted to ₱2.26 billion in 2009, 24% higher than the previous year, largely due to the significant construction completion of its share in booked NUVALI residential and commercial lot sales. The strong revenue growth also led to an increase in NOI by 32% to ₱832 million from ₱632 million in 2008 (and contributed 9% to total NOI). NOI margins likewise improved to 37% from 35% with a greater percentage of construction accomplishment in higher-margin lots in NUVALI.

**Visayas-Mindanao.** Revenues from Visayas-Mindanao improved by 20% to ₱194 million in 2009 from ₱161 million the previous year. Most of the revenue growth came from increasing

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

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percentage completion at Alegria Hills in Cagayan de Oro and from higher bookings in new phases of Plantazionne Verdana Homes in Negros Occidental. NOI contribution was ₱17 million, or less than 1% of total.

**Support Business.** The Support Businesses, namely Construction, Property Management and Hotels, generated revenues (net of inter-company eliminations) of ₱4.96 billion in 2009, 38% lower than the ₱8.05 billion posted the previous year. The decline was a result of the winding down and subsequent lower contribution from external construction projects as the Company deliberately adopted a strategy of focusing more on internal construction projects. Consequently, NOI for the Support Businesses in aggregate also dropped by 44% to ₱909 million, or 10% of total. Overall margins were likewise lower at 18% compared with 20% the previous year, although these stabilized in the second half of 2009, compared with a larger average year-on-year drop in the first two quarters of last year.

### **Equity in Net Earnings of Investees, Interest and Other Income**

Equity in Net Earnings of Investees grew by 9% to ₱968 million from ₱885 million, mostly from the contribution of Fort Bonifacio Development Corporation (in which the Company holds an effective stake of 24.8%) and the improved performance of shopping center joint ventures accounted for under the equity method (particularly TriNoma and Alabang Town Center). Meanwhile, Interest, and Other Income decreased by 37% to ₱1.41 billion in 2009 compared with the ₱2.25 billion the previous year. Higher management fees and interest income on higher average cash balances in 2009 were not enough to compensate for the absence of capital gains derived from the sale of shares in wholly-owned subsidiaries Piedmont Property Ventures, Inc., Stonehaven Land, Inc. and Streamwood Property, Inc. in March 2008.

### **Expenses**

Total expenses dropped to ₱24.61 billion in 2009, 6% lower than the ₱26.30 billion recorded in 2008. Cost of Sales from Real Estate and Hotels, which accounted for the bulk at ₱19.02 billion, declined by 11%, reflecting the strong project cost control initiatives. GAE was also contained at ₱2.79 billion, dropping by 12% from the previous year with savings from a corporate restructuring program in 2008 as well as strong cost control initiatives implemented in 2009. Meanwhile, Interest Expense, Financing and Other Charges went up by 52% to ₱2.80 billion, mostly due to the increase in average loan balances for 2009 as the Company ramped up its borrowing program.

### **Project and Capital Expenditures**

ALI spent a total of ₱16.24 billion for project and capital expenditures in 2009, 14% less than the record ₱18.89 billion spent in 2008. Residential Development accounted for 60% of the total, followed by Strategic Landbank Management with 17% and Shopping Centers and Corporate Business each accounting for 8% of total. For 2010, the Company has earmarked a new record high of ₱27.17 billion for capital expenditures as it expects its most aggressive year ever with record product launches and activity levels across all product segments. The capital expenditure allocation is expected to cover expenses related to the launch of new residential and leasing projects, the ongoing construction completion of existing projects under development, as well as some possible land acquisition as the Company seeks to expand its presence in more growth centers across the country.



## Financial Condition

The Company's balance sheet continued to be robust with a close to zero net-debt position and significant capacity to take on additional borrowings to support its aggressive growth plans for the next few years. Cash and Cash Equivalents stood at ₱15.52 billion with a Current Ratio of 1.95:1. Total Borrowings as of year-end 2009 stood at ₱18.81 billion, compared with ₱16.75 billion as of December 2008, translating to a Debt-to-Equity Ratio of 0.36:1 and a Net Debt-to-Equity Ratio of 0.06:1. The Company has been managing its debt profile effectively, with 91% in long-term debt (with 84% of total carrying a fixed-rate) and an average borrowing rate of 7.9%, down from 8.0% the previous year. The Company's borrowings carry an average maturity tenor of 4.4 years. In order to support its expansion plans, the Company intended to continue ramping-up its borrowing program in 2010.

## Key Financial Performance Indicators

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

	<i>End-2009</i>	<i>End-2008</i>
Current ratio <sup>1</sup>	1.95:1	1.89:1
Debt-to-equity ratio <sup>2</sup>	0.36:1	0.34:1
Net debt/(cash)-to-equity ratio <sup>3</sup>	0.06:1	0:03:1
	<i>FY 2009</i>	<i>FY 2008</i>
Return on assets <sup>4</sup>	3.9%	5.2%
Return on equity <sup>5</sup>	8.0%	10.2%

<sup>1</sup> *Current assets / current liabilities*

<sup>2</sup> *Total interest-bearing debt (inclusive of bonds) / stockholders' equity attributable to equity holders of Ayala Land, Inc.*

<sup>3</sup> *Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity attributable to equity holders of Ayala Land, Inc.*

<sup>4</sup> *Net income / average total assets*

<sup>5</sup> *Net income / average stockholders' equity attributable to equity holders of Ayala Land, Inc.*

## Significant Transactions

As part of its strategic plan to develop more growth centers around the country, the Company concluded two key landbank acquisitions. ALI forged in August 2009 a joint venture agreement with the NHA to develop the 29.1-hectare North Triangle Property in Quezon City into the Philippines' first transit-oriented mixed-use CBD. The total project cost is estimated at ₱22 billion, inclusive of programmed development costs and the current value of the property. The Company also recently signed in October 2009 a 50-year lease agreement with the SBMA for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone into an integrated mixed-use community which will include a shopping mall, BPO office building and a hotel. The total investment in the area is expected to reach approximately ₱3 billion, inclusive of the investments generated from the project's multiplier-effect from retail, office and hotel locators.

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

**Income Statement Items – 2009 versus 2008**

*8% decline in real estate revenues*

Largely due to lower revenues from the construction business with the winding down and subsequent lower contribution from external construction projects.

*7% decrease in hotel operations revenues*

Mainly due to lower occupancy rate and average room rate of Hotel Intercontinental Manila.

*9% increase in equity in net earnings of associates and jointly controlled entities*

Primarily due to higher income from Fort Bonifacio Development Corp., Alabang Commercial Corp. and North Triangle Depot Commercial Corp. (NTDCC) that offset lower income from CHI and CPVDC.

*12% decline in interest income*

Mainly due to the payment by Bonifacio Land Corp. of an intercompany loan in 2008.

*52% decrease in other income*

Largely due to absence of large transactions during the period against the sale of shares in Piedmont Property Ventures, Inc., Stonehaven Land, Inc and Streamwood Property, Inc. in March 2008.

*11% decline in real estate costs and expenses*

Primarily due to impact of project cost control initiatives.

*12% drop in general and administrative expenses*

Mainly due to lower payroll costs and benefits, and the impact of spend management initiatives involving controllable costs.

*28% increase in interest expense and other financing charges*

Largely due to higher level of debt.

*84% increase in other charges*

Primarily due to provisioning for bad debts and write-offs due to impairment of real estate inventories.

*44% decrease in provision for income tax*

Mainly due to the lower taxable income for the period and reduction in income tax rate to 30%.

*12% increase in net income attributable to noncontrolling interests*

Largely due to higher income from Ceci Realty, Inc and Aurora Properties Holdings, Inc.

**Balance Sheet items – 2009 versus 2008**

*17% decrease in cash and cash equivalents*

Primarily due to reclassification of money market placements with terms of more than 90 days to short-term investments.

*79% increase in short term investments and financial assets at fair value through profit or loss*

Largely due to increase in money market placements with terms of more than 90 days

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

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### *100% increase in available for sale financial assets – current portion*

Mainly due to investment in fixed income securities.

### *9% increase in real estate inventories*

Largely due to Ayala Land Premier developments including Abrio, Westgrove Heights and Anvaya, and new projects such as Ametta Place and Verdana Homes Mamplasan Phase 3.

### *9% decline in other current assets*

Primarily due to lower prepaid expenses of Makati Development Corp.

### *11% increase in non-current accounts and notes receivable*

Mainly due to higher receivables of Avida.

### *11% increase in land and improvements*

Largely due to land acquisitions and incidental costs related to site preparation and clearing of various properties.

### *9% increase in investment in associates and jointly controlled entities*

Mainly due to additional investment in Fort Bonifacio Holdings and higher earnings from Emerging City Holdings Inc. and Berkshire Holdings Inc.

### *55% increase in available-for-sale financial assets*

Primarily due to investment in fixed income securities maturing on years 2013, 2014 and 2016.

### *43% increase in investment properties*

Mainly due to completion of malls and buildings such as MarQueue Mall, UP-AyalaLand TechnoHub (new buildings), Cebu E-bloc, Glorietta 5 and Vertex One, and additional disbursements related to the construction of Ayala Center Redevelopment.

### *62% decline in property and equipment*

Primarily due to reclassification of operational and completed buildings to investment properties.

### *36% increase in deferred tax assets*

Largely due to Ceci Realty's higher unrealized sales collection.

### *7% decline in accounts and other payables*

Primarily due to the completion of ALI Parent and Makati Development Corp. projects.

### *27% increase in short term debt*

Mainly due to new loan availments of ALI Parent and Avida.

### *151% increase in income tax payable*

Primarily due to higher creditable withholding tax recognized by Alveo Land and Ceci Realty in 2008.

### *55% increase in current portion of long-term debt*

Largely due to the reclassification of loans from non-current to current of APPHC and Ayala Hotels Inc.

### *93% increase in other current liabilities*

Mainly due to increase in customers' deposits in Serendra, Ceci Realty and Aurora Properties.

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

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*10% increase in long-term debt- net of current portion*

Largely due to increase in Fixed Rate Corporate Notes (FXCNs).

*46% decline in pension liabilities*

Mainly due to adjustments made to reflect latest actuarial valuation.

*7% decline in deferred tax liabilities*

Primarily due to the shift in the corporate tax rate from 35% to 30%.

*31% increase in deposits and other non-current liabilities*

Largely due to the increase in security and construction deposits from MarQueen Mall, Glorietta 5 BPO, UP-AyalaLand TechnoHub and One Evotech.

*9% decline in deferred credits*

Mainly due to the income realization of Serendra Inc. following project completion.

*10% increase in retained earnings*

Largely due to current year's net income net of dividends.

*70% increase in stock options outstanding*

Primarily due to exercise of ESOWN grant.

*5% increase in unrealized gain on available-for-sale financial assets*

Mainly due to revaluation of Ayala Corporation preferred shares.

*11% increase in noncontrolling interests in net assets of subsidiaries*

Largely attributed to Accendo Commercial Corp., APPHC and APPCo.

## CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

SyCip Gorres Velayo & Company through its Partner, Ms. Jessie D. Cabaluna audited Ayala Land, Inc.'s and Subsidiaries' financial statements and schedules for the years ended December 31, 2009, 2010 and 2011 included in this Prospectus, and has the following registration numbers:

CPA Cert. #	36317
PTR #	3669666, January 2, 2013, Makati City
SEC Accreditation #	0069-AR-3 (Group A), February 14, 2013, valid until February 13, 2016

### a. Audit and Audit-Related Fees

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

	Audit & Audit-related Fees	Tax Fees	Other Fees
2012	15.7*	-	-
2011	11.9*	-	-
2010	10.3*	-	-

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

Under paragraph D.3.1 of the ALI Audit and Risk Committee Charter, the Audit Committee (composed of Oscar S. Reyes, Mercedita S. Nolloedo and Jaime C. Laya) recommends to the Board and stockholders the appointment of the external 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 external auditor.

### ***For the December 31, 2012 Financial Statements***

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, 2012. Except as otherwise indicated, the adoption of the amended standards did not have any significant impact on the Group's financial statements.

#### *PFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*

The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

*PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*

This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

The Group has both investment properties at cost and assets under PAS 16 carried under the cost model. These assets are all classified as ordinary assets for income tax purposes. As the jurisdiction in which the Group operates does not have a different tax charge for 'sale' or 'use' basis of assets classified as ordinary assets for income tax purposes, the amendment has no impact on the financial statements of the Group.

Future Changes in Accounting Policies

The Group will adopt the following amended standards and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

***Annual Improvements to PFRSs (2009-2011 cycle)***

The *Annual Improvements to PFRSs (2009-2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

*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*

The 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. 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 will 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 Group expects that this amendment will not have any impact on its 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 2013*

*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 net amounts presented in the statement of financial position;
- d) 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
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

*PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will 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 standard becomes effective for annual periods beginning on or after January 1, 2013.

As a result of the preliminary assessment based on PFRS 10 requirements, the Company will consolidate North Triangle Depot Commercial Corporation, Cebu Holdings, Inc. and Alabang Commercial Corporation, which are currently accounted for as investments in associates in the Company's 2012 consolidated financial statements. The change in accounting for these investments will increase total consolidated assets by ₱12,673.0 million as of December 31, 2012 (₱11,032.4 million as of December 31, 2011) and total consolidated liabilities by ₱8,556.1 million as of December 31, 2012 (₱7,287.8 million as of December 31, 2011). Consolidated revenues will also increase by ₱3,384.2 million for the year ended December 31, 2012 (₱3,164.9 million for the year ended December 31, 2011) while consolidated income before income tax will increase by ₱1,023.6 million for the year ended December 31, 2012 (₱895.5 million for the year ended December 31, 2011). Adoption of PFRS 10 has no impact on the Company's EPS. These amounts have considered preliminary purchase price allocation for the entities in which it has obtained control.

*PFRS 11, Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes 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 standard becomes effective for annual periods beginning on or after January 1, 2013.

The company has conducted an assessment of the impact of PFRS 11 on its jointly controlled entities. It was concluded that its jointly controlled entities namely BG West Properties, Inc., BG South Properties, Inc., BG North Properties, Inc., Emerging City Holdings, Inc. and Berkshires Holdings, Inc. will be treated as Joint Ventures. 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 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of



new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.

*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 when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

*PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*

The amendments to PAS 1 change the grouping of items presented in OCI. Items that can 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. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

*PAS 19, Employee Benefits (Revised)*

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

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

The effects are detailed below:

	Increase (decrease)		
	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
(In Thousands)			
<u>Consolidated statements of financial position</u>			
Net defined benefit obligation	<b>₱428,880</b>	₱170,470	₱132,339
Deferred tax asset	<b>128,664</b>	51,141	39,702
Retained earnings	<b>144,896</b>	102,091	92,637
Other comprehensive income	<b>155,320</b>	17,238	-

	Increase (decrease)	
	2012	2011
(In Thousands)		
<u>Consolidated statements of income</u>		
Net benefit cost	<b>₱61,150</b>	₱13,506
Income tax expense	<b>18,345</b>	4,052
Profit for the year:	<b>(42,805)</b>	(9,454)
Attributable to the owners of the Company	<b>(42,833)</b>	(9,637)
Attributable to non-controlling interests	<b>28</b>	183
Other comprehensive income	<b>(221,886)</b>	(24,625)
Tax effect on other comprehensive income	<b>(66,566)</b>	(7,388)

Equity in net earnings from investments in associates and jointly controlled entities will decrease net income attributable to owners of the Company by ₱1.1 million and ₱ 4.2 million for the year ended December 31, 2012 and 2011 respectively. The impact on EPS is less than ₱0.01 per share.

*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 will not have a significant impact on the separate financial statements of the entities in the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

*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. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

*Effective 2014*

*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*

*PFRS 9, Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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 OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, 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 in respect of the liability’s 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 into PFRS 9, including the embedded derivative separation 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.

The Company has conducted an initial evaluation and has assessed that the standard does not have significant impact to the Company. No early adoption will be made as of date of this report as there are still major changes that are expected to be made in the existing draft of the standard that could impact the Company’s decision to early adopt or not. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

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

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires 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.

# DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS

(as of December 31, 2012)

*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  
Jaime Augusto Zobel de Ayala  
Antonino T. Aquino  
Francis G. Estrada  
Delfin L. Lazaro

Jaime C. Laya  
Aurelio R. Montinola III  
Mercedita S. Nolloredo  
Oscar S. Reyes

**Fernando Zobel de Ayala**, Filipino, 53, has served as Chairman of the Board of ALI since 1999. He was re-elected Chairman of the Board for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He is the Vice Chairman, President, and COO of Ayala Corporation. He is also: Chairman of Manila Water Company, Inc., AC International Finance Ltd., Ayala International Pte Ltd., Ayala DBS Holdings, Inc., Alabang Commercial Corporation, AC Energy Holdings, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.; Co-Vice Chairman of Mermac, Inc.; Director of Bank of The Philippine Islands, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Livelt Investments, Ltd., Asiacom Philippines, Inc., AG Holdings Limited, Ayala International Holdings Limited, AI North America, Inc., Vesta Property Holdings Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corporation, and Manila Peninsula; Member of The Asia Society, World Economic Forum, INSEAD East Asia Council, and World Presidents' Organization; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; Vice Chairman of Habitat for Humanity International; 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 1988. He was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. 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 Manila Water Company, Inc.; Co-Vice Chairman of Mermac, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte Ltd. and AC Energy Holdings, Inc.; Chairman of Harvard Business School Asia-Pacific Advisory Board, Children's Hour Philippines, Inc.; Vice Chairman of the Asia Business Council, Makati Business Club, and Asia Society Philippine Foundation, Inc.; Member of The Asia Society, Eisenhower Fellowships, Harvard University Asia Advisory Committee, Harvard Business School Social Enterprises Initiative Advisory Board, Harvard Global Advisory Council, Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, International Business Council of the World Economic Forum, Asia Pacific Basin Economic Council, Philippine Economic Society, World Wildlife Fund Philippine Advisory Council, Pacific Basin Economic Council and Toshiba International Advisory Group; and Philippine Representative for APEC Business Advisory Council.

**Antonino T. Aquino**, Filipino, 65, has served as Director and President of ALI since April 2009. He was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He also holds the following positions: Senior Managing Director of Ayala Corporation; Chairman of Alveo Land Corp., Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Ayala Hotels, Inc., Makati Development Corp., North Triangle Depot Commercial Corp., and Station Square East Commercial Corp.; President of Fort Bonifacio Development Corp., Alabang Commercial Corp., Accendo Commercial Corp., Aurora Properties, Inc., Ceci Realty, Inc., and Vesta Property Holdings, Inc.; Director of Manila Water Company, Inc. He also serves as a member of the board of various corporate social responsibility foundations such as Ayala Foundation, Inc., Makati Commercial Estate Association, Inc., Hero Foundation, Inc. and Bonifacio Arts Foundation, Inc.. He also served as President of Manila Water Company, Inc., and Ayala Property Management Corporation and a Business Unit Manager in IBM Philippines, Inc. He was named “Co-Management Man of the Year 2009” by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership.

**Francis G. Estrada**, Filipino, 64, has served as Independent Director of ALI since April 2008. 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 Incurance Co. (Chairman of the Risk Management Committee and Member of the Audit and Investment Committees); Director and Member of the Technology Committee of Rizal Commercial Banking Corporation; Director, Chairman of the Risk Management Committee and Member of the Audit Committee of RCBC Savings Bank; Director and Member of the Audit 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 Compensation Committee of Clean Air Asia, Inc. ; Trustee of the Sociedad Espanola de Beneficiencia; Director of the Maximo T. Kalaw Foundation; Vice Chairman of Bancom Alumni, Inc.; Fellow, Institute for Solidarity in Asia; former Chairman of De La Salle University Board of Trustees; former Member of the National Mission Council and Chairman of the Investment Committee of De La Salle Philippines; former President of the Asian Institute of Management; Most Outstanding Alumnus of the Asian Institute of Management in 1989.

**Delfin L. Lazaro**, Filipino, 67, has served as member of the Board of ALI since April 1996. He was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He also holds the following positions: Director of Ayala Corporation; Chairman of Philwater Holdings Company, Inc., Atlas Fertilizer & Chemicals, Inc. and AYC Holdings, Inc.; Chairman and President of Purefoods International Ltd., and A.C.S.T. Business Holdings Inc.; Director of Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Manila Water Company, Inc., Ayala DBS Holdings, Inc., AC Energy Holdings, Inc., Ayala International Holdings, Ltd., Bestfull Holdings Limited, AG Holdings, AI North America, Inc., Probe Productions, Inc., and Empire Insurance Company.

**Jaime C. Laya**, Filipino, 74, has served as an Independent Director of ALI since April 2010. He was re-elected as Independent Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. 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 a regular director of Philippine Ratings Services Corporation; Trustee of De la Salle University-Taft, St. Paul's University - Quezon City, Cultural Center of the Philippines, and Fundacion Santiago. He has served as Minister of the Budget, Minister of Education, Culture and Sports, and Governor of the Central Bank of the Philippines;

Chairman of the National Commission for Culture and Arts; and Professor and Dean of Business Administration of the University of the Philippines.

**Aurelio R. Montinola, III**, Filipino, 61, has served as member of the Board of ALI since February 2005. He was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He is the President and CEO of Bank of the Philippine Islands. His other affiliations, among others, include: Chairman of BPI Direct Savings Bank, Inc., BPI Computer Systems, Inc., BPI/MS Insurance Corp., BPI-Philam Life Assurance Corp., BPI Europe Plc., Amon Trading Corporation; Vice Chairman and President of the BPI Foundation, Inc.; Vice Chairman of the Asia/Pacific Regional Advisory Board of Mastercard Incorporated, Lafarge Republic, Inc., LGU Guarantee Corp., Far Eastern University and Philippine Business for Education, Inc.; Director of the BPI Capital Corporation, BPI Family Savings Bank, Inc.; and Member of the Management Association of the Philippines; and Trustee of the Makati Business Club, and Ayala Foundation, Inc.

**Mercedita S. Nolleto**, Filipino, 72, has served as Director of ALI since May 1994. She was re-elected as Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. She currently holds the following positions: Senior Counsel of the Ayala Group of Companies; Chairman of BPI Investment Management, Inc., and Ayala Group Legal; Director of Anvaya Cove Beach and Nature Club, Inc., Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Ayala Automotive Holdings Corporation, Bank of the Philippine Islands, BPI Capital Corporation, and BPI Family Savings Bank; member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc.; and President of Sonoma Properties, Inc. She also served as a Director of Ayala Corporation from 2004 to September 2010.

**Oscar S. Reyes**, Filipino, 67, has served as an Independent Director of ALI since April 2009. He was re-elected as Independent Director for a term of 1 year from the April 18, 2012 Annual Stockholders Meeting. He is a member of the Board of Directors of the Bank of the Philippine Islands, Manila Water Company, Inc., Philippine Long Distance Telephone Company (Advisory Board), Smart Communications, Inc., Pepsi Cola Products Philippines, Inc. (Chairman), Sun Life Financial Phils., Inc., Sun Life Prosperity Funds, Basic Energy Corporation and Alcorn Gold Resources Corporation, Petrolift, Inc., among other firms. He is also the President and Chief Executive Officer of Manila Electric Company, President of Meralco PowerGen Corporation and Chairman of Meralco Industrial Engineering Services Corporation (MIESCOR), CIS Bayad Center, Meralco Energy Inc., Redondo Peninsula Energy Inc., and Link Edge, Inc. Prior to these posts, he served as Country Chairman of the Shell Companies in the Philippines. He is a member of the Board of Trustees of One Meralco Foundation, Inc., SGV Foundation, Inc. and El Nido Foundation, Inc., and Pilipinas Shell Foundation, Inc.

### **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**

Antonino T. Aquino*	President and Chief Executive Officer
Bernard Vincent O. Dy	Executive Vice President
Vincent Y. Tan	Executive Vice President

## Directors, Executive Officers and Control Persons

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

\* *Member of the Board*

\*\* *Resigned effective December 31, 2012*

**Bernard Vincent O. Dy**, Filipino, 49, is an Executive Vice President and 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 Varejo Corporation; 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, 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. His other positions include: Chairman and Director of Laguna Technopark, Inc. and Ecozone Power Management, Inc.; Director of 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, and Metro Rail Transit Development Corporation.

**Arturo G. Corpuz**, Filipino, 57, is a Senior Vice President and member of the Management Committee of ALI since 2008. He heads the Urban and Regional Planning Division and the Central Land Acquisition Unit of ALI. He is a Trustee of the Makati Parking Authority and a member of the Board of Directors of Aurora Properties, 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, 57, is a Senior Vice-President and a member of the Management Committee of ALI. He is the Chairman and board member of Ayala Property Management Corporation; President and 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, 45, 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: President and CEO of Ayala Hotels, Inc. and AyalaLand Hotels and Resorts Corporation; Director of Ten Knots Philippines, Inc.; Chairman & Director of Cebu Insular Hotel Co. Inc. and Enjay Hotels, Inc. He is a member of the Investment Committee of Arch Capital Asian Partners, G.P. (Cayman) and KHI-ALI Manila, Inc. He joined ALI in 1996 and held various positions in the company.

**Emilio J. Tumbocon**, Filipino, 56, is a Senior Vice-President at Ayala Land, Inc., and a member of its Management Committee. He heads the ALI-VisMin Group and concurrently 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., Makati Development Corporation, MDC Buildplus, Inc., Direct Power 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., and Crest View E-Office Corporation. 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 Officer of Aprisa Business Process Solutions, Inc.; Director and President of CMPI Holdings, Inc. and CMPI Land, Inc.; Director and President of South Gateway Development Corporation; President of Tower One & Exchange Plaza Condominium Corporation; Director and Treasurer of Ayala Land International Sales, Inc., Ayala Land Sales, Inc., Alveo Land Corp., Laguna Technopark, Inc., Serendra, Inc., Ayala Hotels and Resorts Corporation and Anvaya Cove Beach & Nature Club, Inc.; Director, Treasurer and ExCom Member of Ayala Hotels, Inc., 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, Inc. and Vesta Properties Holdings, Inc. He is also a Director of the Asia Pacific Real Estate Association Ltd. and Chairman of the Board of Directors of its Philippine Chapter.

**Dante M. Abando**, Filipino, 48, 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 and MDC BuildPlus, Inc. His other significant positions include Director

of Alveo Land, Ayala Property Management Corp., Avida Land, Corp., Serendra, Inc.; and President and Director of Anvaya Cove Golf and Sports Club, Inc. Prior to joining ALI, he served as Manager of Philkoei International, Inc. and Construction Engineer for DM Consunji, Inc.

**Ruel C. Bautista**, Filipino, 57, is a Vice President of ALI since January 2007. He is concurrently the Executive Vice President of Makati Development Corporation and Head of the Construction Management Group. Prior to joining ALI, he served in various project management, construction operation and engineering capacities in other private institutions for close to 25 years.

**Augusto D. Bengzon**, Filipino, 50, joined ALI in December 2004 as Vice President and Treasurer. His other significant positions include: Treasurer of Avida Land Corporation, Makati Development Corp., Aurora Properties, Inc., Vesta Properties Holdings, Inc., Ceci Realty, Inc and 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, Inc. and Vesta Property Holdings, Inc.; and Board of Trustee of Hero Foundation, Inc. He served as the Head of Commercial Operations of Fort Bonifacio Development Corporation which developed Bonifacio Global City, and was a Director of Bonifacio Estates Services Corp., Bonifacio Water Corp., Bonifacio Transport Corp., Bonifacio Gas, Inc., Bonifacio Global City Estate Association, and Bonifacio Arts Foundation, Inc. He also served as General Manager of Ayala Greenfield Development Corporation; Chairman of Crimson Field Enterprises, Inc.; and Director of Red Creek Properties, Inc. He 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, 58, 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. He spearheaded the project development of The Mind Museum, the first world class science museum in the country.

**Maria Corazon G. Dizon**, Filipino, 49, 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, 43, is Vice President and member of the Management Committee of Ayala Land, Inc. effective August 2008. She is Head of the Strategic Landbank Management 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, Inc., Vesta Properties Holdings, Inc., and Ceci Realty, Inc. Prior to joining ALI, she was Vice President of Benpres Holdings Corporation.

**Steven J. Dy**, Filipino, 48, 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 corporate business group for three years heading one of the project development groups and the business development. He had the same responsibilities when he was with Avida Land Corporation.

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

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

**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, 50, is a Vice President of ALI since December 2010. He is currently Makati Development Corporation's Head of Construction Operations Group 2. Before his MDC assignment, he served as Technical Services Group Head of Avida Land Corporation and Alveo Land Corporation, wholly owned subsidiaries of ALI and Construction Management Director of ALI's Residential Buildings Group. 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 Teresa T. Ruiz**, Filipino, 58, was a Vice President and member of the Management Committee of ALI from October 2007 to December 2012. She served as Head of the Human Resources and Public Affairs Group which covers External Affairs and Corporate

Communications. She was a Director of Aprisa Business Process Solutions Inc. Prior to joining ALI, she served as head of the Human Resources, Organization Development, or Corporate Communications functions in Wyeth Philippines, Zuellig Pharma, Solid Cement, Coca Cola Bottlers and PLDT.

**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.

**Sheila Marie U. Tan**, Filipino, 45, is the Assistant Corporate Secretary of Ayala Land, Inc. since April 2011. Currently, she also holds the Position of Corporate Secretary of Integrated Micro-Electronics, Inc., Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Alveo Land Corp., Avida Land Corporation, Amaia Land Corp., Alabang Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc., Makati Development Corporation, and Ayala Property Management Corporation. She is also the Assistant Corporate Secretary of Ayala Corporation. She graduated Cum Laude from the University of the Philippines where she finished BS Economics. She pursued her Bachelor of Laws in the same university in March 1992. She joined Sycip, Salazar, Hernandez & Gatmaitan Law Firm as Associate until she joined Ayala Land, Inc. in 1995. She was a former head of the Legal Department of Ayala Land, Inc. She is an Associate Director in Ayala Corporation from January 1, 2009 to July 1, 2012. She is now the Managing Director and Corporate Secretary of Ayala Group Legal.

### ***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 of end-2012, 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 and Las Piñas for quieting of title to nullify the purported titles or claims of these claimants. These cases are at various stages of trial and appeal. Some of these cases have been finally decided by the Supreme Court ("SC") in ALI's favor. These include decisions affirming the title of ALI to some of these properties, which have been developed and offered for sale to the public as Sonera, Ayala Southvale. The controversy involves the remaining area of approximately 126 hectares.

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

## 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:

	<u>From</u>	<u>To</u>
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 ₱148.5 million in 2011 and ₱191.2 million in 2012. The projected total annual compensation for the current year is ₱168.3 million.

Total compensation paid to all senior personnel from Manager and up amounted to ₱570.91 million in 2011 and ₱755 million in 2012. The projected total annual compensation for the current year is ₱780 million.

## Executive Compensation

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 2011 (restated)	₱94.5M	₱54M
	Actual 2012	₱101.2M	₱90M
	Projected 2013	₱108.3M	₱60M**
All other officers*** as a group unnamed	Actual 2011 (restated)	₱383.69M	₱187.22M
	Actual 2012	₱497M	₱258M
	Projected 2013	₱530M	₱250M**

\* 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. Of the above named officers, there were 2.7 million common shares exercised in 2012 by the above-named officers, to wit:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at Date of Grant
Arturo G. Corpuz		Various	Various	Various
Vincent Y. Tan		Various	Various	Various
Emilio Lolito J. Tumbocon		Various	Various	Various
All above –named officers as a group	2,731,274		4.53	6.02*

\* Average prices on the dates of grant.

## Executive Compensation

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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 29 (“Stock Options and Ownership Plans”) of the Notes to Consolidated Financial Statements of the 2011 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 of January 31, 2013.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of outstanding shares)
Common	Ayala Corporation <sup>1</sup> 34/F, Tower One Ayala Triangle Ayala Ave., Makati City	Ayala Corporation <sup>2</sup>	Filipino	6,934,509,515	25.8572%
Preferred				12,163,180,640	45.3536%
Common	PCD Nominee Corporation (Non-Filipino) <sup>3</sup> G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Management Asia Limited <sup>4</sup>	Singaporean	2,459,610,811	9.1713%
Common	PCD Nominee Corporation (Non-Filipino) <sup>4</sup> G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Managers Limited <sup>5</sup>	British	1,952,388,734	7.2800%

### **Security ownership of directors and management (executive officers) as of January 31, 2013:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of outstanding shares)
<i>Directors</i>				
Common	Fernando Zobel de Ayala	12,000 (direct)	Filipino	0.00004%
Common	Jaime Augusto Zobel de Ayala	12,000 (direct)	Filipino	0.00004%
Common	Antonino T. Aquino	18,204,452 (direct & indirect)	Filipino	0.06788%

<sup>1</sup> Ayala Corporation ("AC") is the parent of the Company.

<sup>2</sup> Under the By-laws and the Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.

<sup>3</sup> PCD is not related to the Company.

<sup>4</sup> 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 Management and Certain Record and Beneficial Owners

Common	Mercedita S. Nolleto	406,305 (direct & indirect)	Filipino	0.00152%
Common	Jaime C. Laya	10,000 (direct)	Filipino	0.00004%
Common	Oscar S. Reyes	231,601 (direct & indirect)	Filipino	0.00086%
Common	Delfin L. Lazaro	1 (direct)	Filipino	0.00000%
Common	Francis G. Estrada	1 (direct)	Filipino	0.00000%
Common	Aurelio R. Montinola III	3,579 (direct & indirect)	Filipino	0.00001%
<i>CEO and Most Highly Compensated Executive Officers</i>				
Common	Antonino T. Aquino	18,204,452 (direct & indirect)	Filipino	0.06788%
Common	Vincent Y. Tan	10,025,007 (indirect )	Filipino	0.03738%
Common	Arturo G. Corpuz	4,151,377 (direct & indirect)	Filipino	0.01548%
Common	Raul M. Irlanda	1,047,342 (indirect)	Filipino	0.00391%
Common	Emilio J. Tumbocon	8,111,401 (direct & indirect)	Filipino	0.03025%
<i>Other Executive Officers</i>				
Common	Bernard Vincent O. Dy	7,110,248 (indirect)	Filipino	0.02651%
Common	Jose Emmanuel H. Jalandoni	3,590,760 (indirect)	Filipino	0.01339%
Common	Jaime E. Ysmael	5,936,919 (direct & indirect)	Filipino	0.02214%
Common	Dante M. Abando	1,667,629 (direct & indirect)	Filipino	0.00622%
Common	Ruel C. Bautista	506,747 (direct & indirect)	Filipino	0.00189%
Common	Augusto D. Bengzon	1,521,605 (indirect)	Filipino	0.00567%
Common	Aniceto V. Bisnar, Jr.	632,144 (indirect)	Filipino	0.00236%
Common	Manny A. Blas II	1,390,269 (direct & indirect)	Filipino	0.00518%
Common	Ma. Corazon G. Dizon	714,741 (direct & indirect)	Filipino	0.00267%
Common	Steven J. Dy	1,012,969 (indirect)	Filipino	0.00378%
Common	Anna Ma. Margarita B. Dy	3,883,010 (indirect)	Filipino	0.01448%
Common	Michael Alexis C. Legaspi	3,017,244 (direct & indirect)	Filipino	0.01125%
Common	Joselito N. Luna	3,134,631 (direct & indirect)	Filipino	0.01169%
Common	Francis O. Monera	1,049,132 (direct & indirect)	Filipino	0.00391%
Common	Rodelito J. Ocampo	659,448 (direct & indirect)	Filipino	0.00246%
Common	Maria Teresa T. Ruiz*	913,361 (indirect)	Filipino	0.00341%
Common	Ma. Rowena Victoria M. Tomeldan	1,404,745 (direct & indirect)	Filipino	0.00524%
Common	Solomon M. Hermosura	480 (direct)	Filipino	0.00000%
Common	Sheila Marie U. Tan	1,182,606 (direct & indirect)	Filipino	0.00441%
<b>All Directors and Officers as a group</b>		<b>81,543,754</b>		<b>0.30406%</b>

\* Resigned effective December 31, 2012.

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, 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, 2012, Ayala Land had the equivalent of ₱69.4 billion of outstanding debt, of which ₱140.0 million is secured.

Of Ayala Land's outstanding unsecured debt, ₱44.8 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, 2012 (in Peso millions).

Borrower	Short-term	Long-term			Total Debt
		Current	Non-Current	Total	
Ayala Land, Inc.	2,700.0*	4,825.7**	35,780.5**	40,606.2	43,306.2
Accendo Commercial Corp.	-	18.7	2,221.6	2,240.3	2,240.3
Alveo Land Corp.	2,350.0	-	-	-	2,350.0
ALI- Makati Hotel Property, Inc.	-	125.0**	3,620.8**	3,745.8	3,745.8
Amaia Land Corp.	350.0	-	-	-	350.0
Arvo Commercial Corporation	-	-	50.0	50.0	50.0
Asian i-Office Properties, Inc.	-	72.2	1,172.1	1,244.3	1,244.3
Avida Land Corporation	2,587.0	-	1,300.0	1,300.0	3,887.0
Bonifacio Hotel Ventures, Inc.	-	-	495.0	495.0	495.0
Cagayan de Oro Gateway Corp.	-	-	2,350.0	2,350.0	2,350.0
Cebu Insular Hotel Company, Inc.	-	70.0	70.0	140.0	140.0
Chirica Resorts Corporation	35.8*	-	-	-	35.8
Crestview E-Office Corporation	-	7.8	302.6	310.4	310.4
First Gateway Real Estate Corp.	-	120.7	35.8	156.5	156.5
Glensworth Development, Inc.	-	61.6	322.4	384.0	384.0
Greenhaven Property Ventures, Inc.	-	-	776.8**	776.8	776.8
Hillsford Property Corp.	-	12.4	90.6	103.0	103.0
Leisure and Allied Industries	210.0	-	-	-	210.0

## Description of Debt

Phils., Inc.					
Northbeacon Commercial Corporation	-	10.0	957.5	967.5	967.5
Northgate Hotel Ventures, Inc.	-	-	255.0	255.0	255.0
One Dela Rosa Property Development Inc.	-	500.5	148.5	649.0	649.0
Philippine Integrated Energy Solutions, Inc.	-	-	535.0	535.0	535.0
Southcrest Hotel Ventures, Inc.	-	-	212.0	212.0	212.0
Station Square East Commercial Corporation	325.0	48.8	1,438.7	1,487.5	1,812.5
Subic Bay Town Center, Inc.	-	-	881.0	881.0	881.0
Sunnyfield E-Office Corporation	-	18.4	134.6	153.0	153.0
UP North Property Holdings, Inc.	200.0	495.0	832.5	1,327.5	1,527.5
Vesta Property Holdings, Inc.	525.0	-	-	-	525.0
<b>Total</b>	<b>P9,282.8</b>	<b>P6,386.8</b>	<b>P53,983.0</b>	<b>P60,369.8</b>	<b>P69,652.3***</b>

*\*Including or comprised of USD45.1 million and USD0.9 million, respectively, translated to peso terms using exchange rate of P41.05 as of December 31, 2012*

*\*\*Including or comprised of USD58.5 million, USD91.2 million and USD9.3 million, respectively, translated to peso terms using exchange rate of P41.05 as of December 31, 2012*

*\*\*\*Including Unamortized Transaction Cost of P202.14 million*

The table below details Ayala Land's Issuances of Debt Securities / New Financing through Loans from January 1 to December 31, 2012 (in Peso millions).

## Description of Debt

Borrower	Amount	Nature
Ayala Land, Inc.	₱29,140.4	Issuance of Fixed Rate Callable Bonds, Homestarter Bonds and Corporate Notes; Availment of long-term and short-term loans
Accendo Commercial Corp.	380	Availment of long-term loan
Alveo Land Corp.	4,300.00	Availment of short-term loans
ALI- Makati Hotel Property, Inc.	4,470.70	Availment of long-term loan
Amaia Land Corp.	750.0	Availment of short-term loan
Arvo Commercial Corporation	50.0	Availment of long-term loan
Asian i-Office Properties, Inc.	150.0	Availment of long-term loan
Avida Land Corporation	3,936.30	Availment of short-term loan and Fixed Rate Notes
Bonifacio Hotel Ventures, Inc.	336.0	Availment of long-term loan
Cagayan de Oro Gateway Corp.	1,855.0	Availment of long-term loan
Crestview E-Office Corporation	245.0	Availment of long-term loan
Greenhaven Property Ventures, Inc.	464.7	Availment of long-term loan
Northgate Hotel Ventures, Inc.	188.0	Availment of long-term loan
Laguna Technopark, Inc.	50.0	Availment of short-term loan
Philippine Integrated Energy Solutions, Inc.	535.0	Availment of long-term loan
Southcrest Hotel Ventures, Inc.	157.0	Availment of long-term loan
Station Square East Commercial Corporation	630.0	Availment of short-term loans
Subic Bay Town Center, Inc.	311.0	Availment of long-term loan
UP North Property Holdings, Inc.	200.0	Availment of short-term loan
<b>Total</b>	<b>₱48,148.9</b>	

The following sets out the repayments of Debt Securities from January 1 to December 31, 2012 (in Peso millions):

Borrower	Amount	Nature
Ayala Land, Inc.	₱5,974.7	Repayment of Homestarter Bonds and matured short-term loans;
Accendo Commercial Corp.	4.7	Amortization on long-term loan
Alveo Land Corp.	1,950.00	Payment of matured short-term loans
ALI- Makati Hotel Property, Inc.	717.9	Repayment of long-term loan
Amaia Land Corp.	400.0	Payment of matured short-term loans
Asian i-Office Properties, Inc.	4.3	Amortization on long-term loan
Avida Land Corp.	2,585.0	Payment of matured long-term and short-term loans
Cebu Insular Hotel Company, Inc.	70.0	Amortization on long-term loan
First Gateway Real Estate Corp.	49.7	Amortization on long-term loan
Glensworth Development, Inc.	38.5	Amortization on long-term loan
Laguna Technopark, Inc.	50.0	Payment of matured short-term loan
Leisure and Allied Industries Phils., Inc.	40.0	Payment of matured short-term loans
NorthBeacon Commercial Corp.	10.0	Amortization on long-term loan
One Dela Rosa Property Development Inc.	206.3	Amortization on long-term loan
Station Square East Commercial Corporation	662.0	Payment of matured short-term loans and amortization on long-term loans
UP North Property Holdings, Inc.	315.0	Amortization on long-term loan
<b>Total</b>	<b>₱13,078.1</b>	

## Description of Debt

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There were no commercial paper issuances and outstanding balance as of the twelve months ended December 31, 2012.



## 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, 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 of good corporate governance. Ayala Land is requiring observance of good corporate governance of all 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 ensures 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 good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.

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

## **FINANCIAL INFORMATION**

The following pages set forth Ayala Land's audited consolidated financial statements as of December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

The management of Ayala Land, Inc. is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2012 and 2011, 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 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 reviews and approves the consolidated financial statements and submits the same to the stockholders.

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

*Fernando Zobel de Ayala*  
FERNANDO ZOBEL DE AYALA  
Chairman, Board of Directors

*Antonino T. Aquino*  
ANTONINO T. AQUINO  
President & Chief Executive Officer

*Jaime E. Ysmael*  
JAIME E. YSMAEL  
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 19 2013 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Fernando Zobel de Ayala	XX2935162	04 February 2009 – Manila
Antonino T. Aquino	XX4033426	25 June 2009 – Manila
Jaime E. Ysmael	EB6092044	06 August 2012 – Manila

Doc. No. 4 ;  
Page No. 2 ;  
Book No. 4 ;  
Series of 2013.

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



*Ashley Lene N. Tan*  
ASHLEY LENE N. TAN  
Notary Public - Makati City  
Appt. No. M-567 until December 31, 2013  
Attorney's Roll No. 57037  
PTR No. 3671497MC; 01-02-2013; Makati City  
IBP Lifetime Roll No. 08315  
MCLE Compliance No. III-0011703; 4/12/2010  
3<sup>rd</sup> Floor, Tower One & Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City, Philippines

## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Ayala Land, Inc.

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, 2012 and 2011, 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, 2012, 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, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 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. 3669666, January 2, 2013, Makati City

February 19, 2013



**AYALA LAND, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands)

	December 31	
	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4 and 29)	₱28,596,398	₱24,603,213
Short-term investments (Notes 5 and 29)	16,503	191,987
Financial assets at fair value through profit or loss (Notes 6 and 29)	713,716	–
Accounts and notes receivable (Notes 7 and 29)	34,085,935	21,578,363
Inventories (Note 8)	24,070,387	21,908,571
Other current assets (Note 9)	13,800,561	7,034,508
Total Current Assets	101,283,500	75,316,642
<b>Noncurrent Assets</b>		
Noncurrent accounts and notes receivable (Notes 7 and 29)	10,384,045	7,293,682
Available-for-sale financial assets (Notes 10 and 29)	454,270	710,442
Land and improvements (Note 11)	47,710,153	18,736,580
Investments in associates and jointly controlled entities (Note 12)	13,151,138	12,626,231
Investment properties (Note 13)	36,496,447	30,490,311
Property and equipment (Note 14)	16,558,527	5,395,471
Deferred tax assets - net (Note 23)	2,290,118	1,948,633
Other noncurrent assets (Notes 15 and 24)	2,904,185	2,023,991
Total Noncurrent Assets	129,948,883	79,225,341
Total Assets	₱231,232,383	₱154,541,983
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables (Notes 16 and 29)	₱51,728,543	₱38,129,385
Short-term debt (Notes 17 and 29)	9,282,831	4,638,844
Income tax payable	713,975	179,712
Current portion of long-term debt (Notes 17 and 29)	6,386,834	1,556,761
Other current liabilities (Note 18)	4,141,027	1,124,575
Total Current Liabilities	72,253,210	45,629,277
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion (Notes 17 and 29)	53,780,786	28,257,971
Pension liabilities (Note 26)	52,929	72,204
Deferred tax liabilities - net (Note 23)	717,976	744,234
Deposits and other noncurrent liabilities (Notes 19 and 29)	12,882,255	7,795,785
Total Noncurrent Liabilities	67,433,946	36,870,194
Total Liabilities	139,687,156	82,499,471

(Forward)



	<b>December 31</b>	
	<b>2012</b>	2011
<b>Equity</b> (Note 20)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	<b>₱34,118,600</b>	₱18,960,206
Retained earnings	<b>50,061,754</b>	43,925,560
Stock options outstanding (Note 28)	<b>213,758</b>	232,298
Unrealized gain on available-for-sale financial assets (Note 10)	<b>39,564</b>	53,909
Other reserves (Note 2)	<b>8,960</b>	8,960
Treasury stock	<b>(2,127,427)</b>	(823,967)
	<b>82,315,209</b>	62,356,966
Non-controlling interests	<b>9,230,018</b>	9,685,546
<b>Total Equity</b>	<b>91,545,227</b>	72,042,512
	<b>₱231,232,383</b>	₱154,541,983

*See accompanying Notes to Consolidated Financial Statements.*



**AYALA LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, Except Earnings Per Share Figures)

	<b>Years Ended December 31</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>REVENUE</b>			
Real estate (Notes 21 and 25)	<b>₱49,904,333</b>	₱41,230,834	₱35,408,440
Interest and investment income (Notes 24 and 25)	<b>2,725,377</b>	1,658,896	1,065,205
Equity in net earnings of associates and jointly controlled entities (Note 12)	<b>1,334,255</b>	898,550	905,645
Other income (Note 22)	<b>560,850</b>	417,253	434,209
	<b>54,524,815</b>	44,205,533	37,813,499
<b>COSTS AND EXPENSES</b>			
Real estate (Note 22)	<b>33,439,039</b>	27,941,131	24,947,319
General and administrative expenses (Notes 22, 26 and 28)	<b>4,442,991</b>	3,479,612	3,188,353
Interest and other financing charges (Note 22)	<b>3,050,853</b>	1,879,770	1,539,111
Other charges (Note 22)	<b>365,446</b>	195,292	278,512
	<b>41,298,329</b>	33,495,805	29,953,295
<b>INCOME BEFORE INCOME TAX</b>	<b>13,226,486</b>	10,709,728	7,860,204
<b>PROVISION FOR INCOME TAX (Note 23)</b>			
Current	<b>3,259,840</b>	2,331,615	2,120,537
Deferred	<b>(367,743)</b>	287,530	(548,387)
	<b>2,892,097</b>	2,619,145	1,572,150
<b>NET INCOME</b>	<b>₱10,334,389</b>	₱8,090,583	₱6,288,054
Net income attributable to:			
Equity holders of Ayala Land, Inc. (Note 27)	<b>₱9,038,328</b>	₱7,140,308	₱5,458,134
Non-controlling interests	<b>1,296,061</b>	950,275	829,920
	<b>₱10,334,389</b>	₱8,090,583	₱6,288,054
<b>Earnings Per Share (Note 27)</b>			
Basic/Diluted			
Net income attributable to equity holders of Ayala Land, Inc.	<b>₱0.68</b>	₱0.55	₱0.41

*See accompanying Notes to Consolidated Financial Statements.*





**AYALA LAND, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
Net income	<b>₱10,334,389</b>	₱8,090,583	₱6,288,054
Other comprehensive income:			
Net gain (loss) on available-for-sale financial assets (Note 10)	<b>(20,162)</b>	15,764	27,733
<b>Total comprehensive income</b>	<b>₱10,314,227</b>	₱8,106,347	₱6,315,787
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	<b>₱9,023,982</b>	₱7,153,567	₱5,482,173
Non-controlling interests	<b>1,290,245</b>	952,780	833,614
	<b>₱10,314,227</b>	₱8,106,347	₱6,315,787

*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		
	2012	2011	2010
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.</b>			
<b>Common Shares - ₱1.00 par value (Note 20)</b>			
Issued:			
Balance at beginning of year	₱13,022,771	₱13,012,004	₱13,005,338
Issuance of shares	706,631	10,767	6,666
Balance at end of year	13,729,402	13,022,771	13,012,004
Subscribed:			
Balance at beginning of year	99,917	96,468	75,470
Additions	708,873	14,216	27,664
Issuance of shares	(706,631)	(10,767)	(6,666)
Balance at end of year	102,159	99,917	96,468
<b>Preferred Shares - ₱0.10 par value (Note 20)</b>			
Balance at beginning of year	1,303,460	1,303,460	1,303,460
Issuance of shares	1,306,649	-	-
Balance at end of year	2,610,109	1,303,460	1,303,460
<b>Additional Paid-in Capital</b>			
Balance at beginning of year	4,887,298	4,614,184	4,326,935
Additions	13,240,820	273,114	287,249
Balance at end of year	18,128,118	4,887,298	4,614,184
<b>Subscriptions Receivable</b>			
Balance at beginning of year	(353,240)	(344,968)	(262,770)
Additions	(317,697)	(138,337)	(159,282)
Collections	219,749	130,065	77,084
Balance at end of year	(451,188)	(353,240)	(344,968)
<b>Total Paid-up Capital</b>	<b>34,118,600</b>	18,960,206	18,681,148
<b>Retained Earnings (Note 20)</b>			
Appropriated for future expansion	6,000,000	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	37,925,560	32,756,821	28,570,354
Cash dividends			
Common share - ₱0.21 per share in 2012, ₱0.15 per share in 2011 and ₱0.09 per share in 2010	(2,856,438)	(1,911,088)	(1,211,186)
Preferred share - ₱0.005 or 4.64%	(45,696)	(60,481)	(60,481)
Net income	9,038,328	7,140,308	5,458,134
Balance at end of year	44,061,754	37,925,560	32,756,821
	<b>50,061,754</b>	43,925,560	38,756,821

(Forward)



	<b>Years Ended December 31</b>		
	<b>2012</b>	2011	2010
<b>Stock Options Outstanding</b> (Note 28)			
Balance at beginning of year	<b>₱232,298</b>	₱202,500	₱180,930
Cost of stock options	<b>31,751</b>	32,540	34,923
Stock options exercised	<b>(50,291)</b>	(2,742)	(13,353)
Balance at end of year	<b>213,758</b>	232,298	202,500
<b>Unrealized Gain on Available-for-sale</b>			
<b>Financial Assets</b> (Note 10)			
Balance at beginning of year	<b>53,909</b>	40,650	16,611
Net changes during the year	<b>(14,345)</b>	13,259	24,039
Balance at end of year	<b>39,564</b>	53,909	40,650
<b>Other Reserves</b> (Note 2)	<b>8,960</b>	8,960	–
<b>Treasury Shares</b> (Note 20)			
Balance at beginning of year	<b>(823,967)</b>	(823,967)	(823,967)
Redemptions during the year	<b>(1,303,460)</b>	–	–
Balance at end of year	<b>(2,127,427)</b>	(823,967)	(823,967)
<b>NON-CONTROLLING INTERESTS</b>			
Balance at beginning of year	<b>9,685,546</b>	8,612,976	6,802,539
Net income	<b>1,296,061</b>	950,275	829,920
Net increase (decrease) in non-controlling interests	<b>(1,084,905)</b>	672,369	1,392,471
Dividends paid to non-controlling interests	<b>(660,867)</b>	(552,579)	(415,648)
Net gain (loss) on available-for-sale financial assets	<b>(5,817)</b>	2,505	3,694
Balance at end of year	<b>9,230,018</b>	9,685,546	8,612,976
	<b>₱91,545,227</b>	₱72,042,512	₱65,470,128
<b>Total Comprehensive Income</b>			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	<b>₱9,038,328</b>	₱7,140,308	₱5,458,134
Non-controlling interests	<b>1,296,061</b>	950,275	829,920
	<b>10,334,389</b>	8,090,583	6,288,054
Net gain (loss) on available-for-sale financial assets attributable to (Note 10):			
Equity holders of Ayala Land, Inc.	<b>(14,345)</b>	13,259	24,039
Non-controlling interests	<b>(5,817)</b>	2,505	3,694
	<b>(20,162)</b>	15,764	27,733
	<b>₱10,314,227</b>	₱8,106,347	₱6,315,787

See accompanying Notes to Consolidated Financial Statements.



**AYALA LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	Years Ended December 31		
	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱13,226,486</b>	₱10,709,728	₱7,860,204
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 15 and 22)	<b>2,089,795</b>	2,310,389	1,808,012
Interest expense (Note 22)	<b>2,265,272</b>	1,838,897	1,449,397
Dividends received from investees (Note 12)	<b>412,334</b>	311,928	273,223
Cost of share-based payments (Note 28)	<b>248,436</b>	178,791	177,201
Unrealized loss on financial assets at fair value through profit or loss (Note 22)	–	–	9,338
Realized loss (gain) on financial assets at fair value through profit or loss (Note 22)	–	4,423	466
Gain on sale of property and equipment	<b>(837)</b>	(964)	(129)
Equity in net earnings of associates and jointly controlled entities (Note 12)	<b>(1,334,255)</b>	(898,550)	(905,645)
Interest income	<b>(1,204,656)</b>	(1,532,491)	(1,065,205)
Gain on sale of investments (Note 22)	–	(118,403)	–
Gain on remeasurement of previously held equity interest (Note 24)	<b>(593,853)</b>	–	–
Provision for impairment losses on (Note 22):			
Other assets	<b>67,166</b>	–	–
Investment in associate	<b>58,996</b>	–	–
Receivables	<b>52,621</b>	52,550	57,206
Investment properties	<b>19,500</b>	147,000	–
Available-for-sale financial assets	<b>16,771</b>	–	–
Operating income before changes in working capital	<b>15,323,776</b>	13,003,298	9,664,068
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable - trade	<b>(7,151,850)</b>	(5,012,484)	(172,657)
Real estate inventories	<b>85,111</b>	(5,912,965)	(718,304)
Other current assets (Note 9)	<b>(6,564,054)</b>	(2,315,799)	(587,491)
Increase (decrease) in:			
Accounts and other payables	<b>10,239,670</b>	12,622,310	6,015,408
Other current liabilities (Note 18)	<b>3,016,452</b>	(907,557)	(118,580)
Other deposits (Note 19)	<b>(461,889)</b>	(310,662)	(378,613)
Pension liabilities (Note 26)	<b>(19,275)</b>	(14,159)	34,282
Cash generated from operations	<b>14,467,941</b>	11,151,982	13,738,113
Interest received	<b>1,197,865</b>	1,582,382	1,150,195
Income tax paid	<b>(3,115,974)</b>	(2,240,388)	(2,290,409)
Interest paid	<b>(2,069,724)</b>	(1,735,121)	(1,461,938)
Net cash provided by operating activities	<b>10,480,108</b>	8,758,855	11,135,961

(Forward)



	<b>Years Ended December 31</b>		
	<b>2012</b>	2011	2010
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Sale/redemption of investments and financial assets at fair value through profit or loss	<b>₱244,658</b>	₱1,965,357	₱6,009,428
Sale of available-for-sale financial assets	<b>219,238</b>	13,495	-
Disposal of property and equipment	<b>14,691</b>	65,792	120,146
Additions to:			
Short-term investments and financial assets at fair value through profit or loss	-	-	(1,434,337)
Available-for-sale financial assets (Note 10)	-	(16,509)	-
Land and improvements (Note 11)	<b>(30,168,416)</b>	(4,049,285)	(1,800,331)
Investments in associates and jointly controlled entities (Note 12)	<b>(457,819)</b>	(1,389,622)	(196,349)
Investment properties (Note 13)	<b>(7,066,485)</b>	(6,464,398)	(1,789,286)
Property and equipment (Note 14)	<b>(7,488,805)</b>	(2,308,560)	(1,146,018)
Accounts and notes receivable - nontrade (Note 7)	<b>(6,783,915)</b>	(2,675,802)	(586,343)
Net decrease (increase) in other noncurrent assets	<b>204,036</b>	(73,016)	(877,368)
Acquisition of subsidiary, net of cash acquired (Note 24)	<b>(1,096,432)</b>	-	(1,663,848)
<b>Net cash used in investing activities</b>	<b>(52,379,249)</b>	(14,932,548)	(3,364,306)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short and long-term debt (Note 17)			
	<b>33,247,264</b>	17,894,765	7,915,294
Payments of short and long-term debt (Note 17)	<b>(1,844,389)</b>	(4,334,927)	(5,838,147)
Increase (decrease) in deposits and other noncurrent liabilities	<b>5,548,359</b>	1,552,623	(1,025,614)
Capital infusion by non-controlling interests in consolidated subsidiaries	<b>212,575</b>	728,169	144,057
Redemption of non-controlling interests in consolidated subsidiaries	<b>(1,297,480)</b>	(55,800)	(104,930)
Proceeds from capital stock subscriptions	<b>14,891,418</b>	130,065	77,084
Acquisition of treasury shares	<b>(1,303,460)</b>	-	-
Dividends paid to non-controlling interests	<b>(660,867)</b>	(552,579)	(415,648)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	<b>(2,901,094)</b>	(2,604,217)	(1,033,670)
<b>Net cash provided by (used in) financing activities</b>	<b>45,892,326</b>	12,758,099	(281,574)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>3,993,185</b>	6,584,406	7,490,081
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>24,603,213</b>	18,018,807	10,528,726
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱28,596,398</b>	₱24,603,213	₱18,018,807

See accompanying Notes to Consolidated Financial Statements.



# **AYALA LAND, INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **1. Corporate Information**

Ayala Land, Inc. (the Company) was incorporated and is domiciled in the Republic of the Philippines. The Company's parent is Ayala Corporation (AC). AC is a publicly-listed company, 51.15%-owned by Mermac, Inc., 10.62%-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, 2012 and 2011 and for each of the three years in the period ended December 31, 2012 were endorsed for approval by the Audit Committee on February 13, 2013 and were approved and authorized for issue by the Board of Directors (BOD) on February 19, 2013.

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### **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.

#### 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 at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012.

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 interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a 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:

	<b>Percentages of Ownership</b>	
	<b>2012</b>	<b>2011</b>
Real Estate:		
Alveo Land Corporation (Alveo)	<b>100%</b>	100%
Serendra, Inc.	<b>39</b>	39
Solinea, Inc. (Solinea)	<b>65</b>	65
Serendra, Inc.	<b>28</b>	28
Amorsedia Development Corporation and Subsidiaries	<b>100</b>	100
OLC Development Corporation and Subsidiary	<b>100</b>	100
HLC Development Corporation	<b>100</b>	100
Allysonia International Ltd.	<b>100</b>	100
Avida Land Corporation and Subsidiaries (Avida)	<b>100</b>	100
Buklod Bahayan Realty and Development Corp.	<b>100</b>	100
Avida Sales Corp.	<b>100</b>	100
Amicassa Process Solutions, Inc.	<b>100</b>	100
Avencosouth Corp. (Avencosouth)	<b>70</b>	-
Amaia Land Co. (Amaia)	<b>100</b>	100
Ayala Land International Sales, Inc. (ALISI)	<b>100</b>	100
Ayalaland International Marketing, Inc. (AIMI)	<b>100</b>	-
Ayala Land Sales, Inc.	<b>100</b>	100
Buendia Landholdings, Inc.	<b>100</b>	100
Crans Montana Holdings, Inc.	<b>100</b>	100
Crimson Field Enterprises, Inc.	<b>100</b>	100
Ecoholdings Company, Inc. (ECI)	<b>100</b>	100
NorthBeacon Commercial Corporation (NBCC)	<b>100</b>	100
Red Creek Properties, Inc.	<b>100</b>	100
Regent Time International, Limited (Regent Time)		
(British Virgin Islands)	<b>100</b>	100
Asterion Technopod, Incorporated (ATI)	<b>100</b>	100
Crestview E-Office Corporation (Crestview)	<b>100</b>	100
Gisborne Property Holdings, Inc.	<b>100</b>	100



	<b>Percentages of Ownership</b>	
	<b>2012</b>	<b>2011</b>
Hillsford Property Corporation (HPC)	<b>100%</b>	100%
Primavera Towncentre, Inc. (PTI)	<b>100</b>	100
Summerhill E-Office Corporation (Summerhill)	<b>100</b>	100
Sunnyfield E-Office Corporation (Sunnyfield)	<b>100</b>	100
Subic Bay Town Centre, Inc.	<b>100</b>	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	<b>100</b>	100
AyalaLand Commercial REIT, Inc. (ALCRI)	<b>100</b>	100
Arvo Commercial Corporation (Arvo)	<b>100</b>	100
BellaVita Land Corporation (BellaVita)	<b>100</b>	100
Nuevo Centro, Inc. (Nuevo Centro)	<b>100</b>	100
Cavite Commercial Town Center, Inc.	<b>100</b>	100
ALI Property Partners Corp. (APPCo) (Note 24)	<b>68</b>	68
One Dela Rosa Property Development, Inc.	<b>68</b>	68
First Gateway Real Estate Corp.	<b>68</b>	68
Glensworth Development, Inc. (Glensworth)	<b>68</b>	68
UP North Property Holdings, Inc.	<b>68</b>	68
Laguna Technopark, Inc. (LTI)	<b>75</b>	75
Ecozone Power Management, Inc.	<b>75</b>	75
Aurora Properties Incorporated	<b>70</b>	70
Vesta Property Holdings, Inc.	<b>70</b>	70
Station Square East Commercial Corporation (SSECC)	<b>69</b>	69
Asian I-Office Properties, Inc. (AiO)	<b>60</b>	60
Accendo Commercial Corp. (Accendo)	<b>67</b>	67
Avencosouth Corp.	<b>20</b>	-
Cagayan de Oro Gateway Corp.	<b>70</b>	51
Ceci Realty, Inc. (Ceci)	<b>60</b>	60
CMPI Holdings, Inc.	<b>60</b>	60
CMPI Land, Inc.	<b>36</b>	36
ALI-CII Development Corporation (ALI-CII)	<b>50</b>	50
Roxas Land Corporation (RLC)	<b>50</b>	50
Adauge Commercial Corporation (Adauge)	<b>100</b>	-
Southgateway Development Corp. (SDC)	<b>100</b>	-
Ayalaland MetroNorth, Inc. (AMNI)	<b>100</b>	-
Construction:		
Makati Development Corporation and Subsidiaries (MDC)	<b>100</b>	100
MDC – Subic	<b>100</b>	100
MDC - Build Plus, Inc.	<b>100</b>	100
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI)	<b>50</b>	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	<b>100</b>	100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (Note 24)	<b>80</b>	-
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24)	<b>80</b>	-
Enjay Hotels, Inc. (Enjay)	<b>100</b>	100
Greenhaven Property Venture, Inc. (GPVI)	<b>100</b>	100
Cebu Insular Hotel Company, Inc. (CIHCI)	<b>63</b>	63
Bonifacio Hotel Ventures, Inc.	<b>100</b>	100
Southcrest Hotel Ventures, Inc.	<b>67</b>	67
Northgate Hotel Ventures, Inc.	<b>70</b>	70
North Triangle Hotel Ventures, Inc.	<b>100</b>	100
Ecosouth Hotel Ventures, Inc.	<b>100</b>	100





	<b>Percentages of Ownership</b>	
	<b>2012</b>	<b>2011</b>
ALI Makati Hotels & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (Note 24)	<b>20%</b>	20%
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24)	<b>20</b>	20
Ten Knots Phils, Inc. (TKPI) (Note 24)	<b>60</b>	60
Ten Knots Development, Corp. (TKDC) (Note 24)	<b>60</b>	60
Property Management:		
Ayala Property Management Corporation (APMC)	<b>100</b>	100
Ayala Theatres Management, Inc. and Subsidiaries	<b>100</b>	100
Entertainment:		
Five Star Cinema, Inc.	<b>100</b>	100
Leisure and Allied Industries Philippines, Inc. (LAIP)	<b>50</b>	50
Others:		
MZM Holdings, Inc. (MZM)	<b>100</b>	100
ALInet.com, Inc. (ALInet)	<b>100</b>	100
First Longfield Investments Limited (First Longfield) (Hongkong company)	<b>100</b>	100
Green Horizons Holdings Limited	<b>100</b>	100
Food Court Company, Inc.	<b>100</b>	100
Aprisa Business Process Solutions, Inc. (Aprisa)	<b>100</b>	100
Studio Ventures, Inc.	<b>100</b>	100
Directpower Services, Inc. (Directpower)	<b>100</b>	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	<b>60</b>	60
Varejo Corp. (Varejo)	<b>100</b>	-

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 entities were organized in 2012:

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.

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.

Adaage, 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.

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.



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.

The Company, a principal shareholder of CDOGC increased its beneficial ownership to 70% or 867,680,000 shares as a result of additional securities acquired of 480,680,000 shares at ₱1 per share on May 4, 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 following entities were organized in 2011:

MDC Build Plus, a wholly-owned 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.

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.

Cagayan De Oro Gateway Corp. 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, wholly-owned subsidiary of the Company, 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.

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% of shares of stock, while Cebu Holdings, Inc. (CHI), an associate, purchased the remaining 8.75 million shares for ₱124.2 million, representing 35% of shares of stock.



The following entities were organized in 2010:

The Company established a wholly-owned subsidiary, AHRC, and infused cash in the latter to acquire Enjay, GPVI and CIHCI from AHI. As such, AHRC becomes the holding company for the Group's hotel operations.

Regent Wise, a wholly-owned subsidiary of the Company, signed an Equity Joint Venture Agreement 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.

In 2010, Amaia, a subsidiary of Avida, became a wholly-owned subsidiary of the Company and is established to pursue a planned expansion of residential development operations to cater to the country's economic housing segment. Additional capital infusion amounting to ₱1,891.0 million was made by the Company in 2011 to fund Amaia's planned expansion program for the next five years.

ALCRI was formed in September as a vehicle through which the Company will own and operate selected investment properties and which the Company intends to undertake an initial public offering under Republic Act 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.

PhilEnergy is a wholly-owned subsidiary established for the supply and operation of a district cooling system, performance contracting by introducing various energy solutions and bulk purchase of electricity. In 2011, the Company sold its 40% interest in PhilEnergy for ₱137.0 million. Gain on sale recognized as other reserves amounted to ₱9.0 million.

Aprisa is a wholly-owned subsidiary of the Company that will manage transactional accounting services.

#### 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, 2012. Except as otherwise indicated, the adoption of the amended standards did not have any significant impact on the Group's financial statements.

#### *PFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*

The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.



*PAS 12, Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*

This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

The Group has both investment properties at cost and assets under PAS 16 carried under the cost model. These assets are all classified as ordinary assets for income tax purposes. As the jurisdiction in which the Group operates does not have a different tax charge for 'sale' or 'use' basis of assets classified as ordinary assets for income tax purposes, the amendment has no impact on the financial statements of the Group.

Future Changes in Accounting Policies

The Group will adopt the following amended standards and Philippine Interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

***Annual Improvements to PFRSs (2009-2011 cycle)***

The *Annual Improvements to PFRSs (2009-2011 cycle)* contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

*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*

The 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. 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 will 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 Group expects that this amendment will not have any impact on its 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 2013*

*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 net amounts presented in the statement of financial position;
- d) 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
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.



*PFRS 10, Consolidated Financial Statements*

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will 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 standard becomes effective for annual periods beginning on or after January 1, 2013.

As a result of the preliminary assessment based on PFRS 10 requirements, the Company will consolidate North Triangle Depot Commercial Corporation, Cebu Holdings, Inc. and Alabang Commercial Corporation, which are currently accounted for as investments in associates in the Company's 2012 consolidated financial statements. The change in accounting for these investments will increase total consolidated assets by ₱12,673.0 million as of December 31, 2012 (₱11,032.4 million as of December 31, 2011) and total consolidated liabilities by ₱8,556.1 million as of December 31, 2012 (₱7,287.8 million as of December 31, 2011). Consolidated revenues will also increase by ₱3,384.2 million for the year ended December 31, 2012 (₱3,164.9 million for the year ended December 31, 2011) while consolidated income before income tax will increase by ₱1,023.6 million for the year ended December 31, 2012 (₱895.5 million for the year ended December 31, 2011). Adoption of PFRS 10 has no impact on the Company's EPS. These amounts have considered preliminary purchase price allocation for the entities in which it has obtained control.

*PFRS 11, Joint Arrangements*

PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes 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 standard becomes effective for annual periods beginning on or after January 1, 2013.

The company has conducted an assessment of the impact of PFRS 11 on its jointly controlled entities. It was concluded that its jointly controlled entities namely BG West Properties, Inc., BG South Properties, Inc., BG North Properties, Inc., Emerging City Holdings, Inc. and Berkshires Holdings, Inc. will be treated as Joint Ventures. 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 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The adoption of PFRS 12 will affect disclosures only and have no impact on the Group's financial position or performance.



*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 when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

The Group does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

*PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*

The amendments to PAS 1 change the grouping of items presented in OCI. Items that can 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. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

*PAS 19, Employee Benefits (Revised)*

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

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

The effects are detailed below:

	Increase (decrease)		
	As at December 31, 2012	As at December 31, 2011	As at January 1, 2011
	(In Thousands)		
<u>Consolidated statements of financial position</u>			
Net defined benefit obligation	<b>₱428,880</b>	₱170,470	₱132,339
Deferred tax asset	<b>128,664</b>	51,141	39,702
Retained earnings	<b>144,896</b>	102,091	92,637
Other comprehensive income	<b>155,320</b>	17,238	–



	Increase (decrease)	
	2012	2011
	(In Thousands)	
<u>Consolidated statements of income</u>		
Net benefit cost	<b>₱61,150</b>	₱13,506
Income tax expense	<b>18,345</b>	4,052
Profit for the year:	<b>(42,805)</b>	(9,454)
Attributable to the owners of the Company	<b>(42,833)</b>	(9,637)
Attributable to non-controlling interests	<b>28</b>	183
Other comprehensive income	<b>(221,886)</b>	(24,625)
Tax effect on other comprehensive income	<b>(66,566)</b>	(7,388)

Equity in net earnings from investments in associates and jointly controlled entities will decrease net income attributable to owners of the Company by ₱1.1 million and ₱ 4.2 million for the year ended December 31, 2012 and 2011 respectively. The impact on EPS is less than ₱0.01 per share.

*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 will not have a significant impact on the separate financial statements of the entities in the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

*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. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

*Effective 2014*

*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*

*PFRS 9, Financial Instruments*

PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing 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 OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, 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 in respect of the liability's 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 into PFRS 9, including the embedded derivative separation 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.

The Company has conducted an initial evaluation and has assessed that the standard does not have significant impact to the Company. No early adoption will be made as of date of this report as there are still major changes that are expected to be made in the existing draft of the standard that could impact the Company's decision to early adopt or not. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

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

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

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

#### Cash and Cash Equivalents

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

#### Financial Instruments

##### *Date of recognition*

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



*Initial recognition of financial instruments*

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

*Determination of fair value*

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

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

*“Day 1” difference*

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income under “Interest and investment income” and “Interest and other financing charges” accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the ‘Day 1’ difference amount.

*Financial assets and financial liabilities at FVPL*

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

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



Financial assets may be designated at initial recognition as FVPL if any of the following criteria are met:

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

As of December 31, 2012, the Group holds its investment in ARCH Capital Asian Partners L.P. (ARCH Capital Fund) as held for trading and classified this as financial asset 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. The Group's financial assets at FVPL pertaining to treasury bonds and treasury bills matured in 2011.

#### *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, 2012 and 2011, 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 short-term and long-term debts, accounts and other payables, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).

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 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 Jointly Controlled Entities

Investments in associates and jointly controlled entities (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 venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture 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 Venture

MDC has an interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control. MDC recognizes its interest in the joint venture using proportionate consolidation. MDC combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its financial statements. The financial statements of the joint venture 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 MDC.

Adjustments are made in MDC's financial statements to eliminate MDC's share of unrealized gains and losses on transactions between MDC and the joint venture. 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 venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

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 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 is



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, 2012 and 2011, 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.

#### 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 jointly controlled entities*

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 jointly controlled entities 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 current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailment or settlement.

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.

Actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

#### 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 have 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.

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

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 are 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.

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### **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 property 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 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 residential and 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. 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 of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in Philippine Accounting Standards 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.

*Collectibility of the sales price*

In determining whether the sales prices are collectible, the Group considers that 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 in 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 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 expense 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 investments in associates and jointly controlled entities, land and improvements, 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 jointly controlled entities, 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 property and equipment and investment properties*

The Group estimates the useful lives of its property and equipment and investment properties based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties 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. See Notes 13 and 14 for the related balances.

*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 obligation 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. Those assumptions are described in Note 26 and include among others, discount rate, expected return on plan assets and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement 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 its fair value by using the discounted cash flow methodology. See Notes 19 and 29 for the related balances.

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#### 4. Cash and Cash Equivalents

This account consists of:

	2012	2011
		(In Thousands)
Cash on hand	<b>₱51,015</b>	₱34,256
Cash in banks	<b>13,458,913</b>	5,047,564
Cash equivalents	<b>15,086,470</b>	19,521,393
	<b>₱28,596,398</b>	₱24,603,213

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 interest rates of the cash equivalents follow:

	2012	2011
Philippine Peso	<b>0.4% to 3.9%</b>	1.3% to 4.9%
US Dollar	<b>0.1% to 2.0%</b>	0.3% to 2.0%



## 5. Short-term Investments

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

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

	2012	2011
Philippine Peso	2.2%	–
US Dollar	–	1.9% to 2.0%

## 6. Financial Assets at FVPL

This pertains to investment in ARCH Capital Fund which is previously classified as investment in associate accounted under equity method by virtue of the Company's interest in the general partner (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.

## 7. Accounts and Notes Receivable

This account consists of:

	2012	2011
	(In Thousands)	
Trade:		
Residential development	₱20,625,012	₱14,558,803
Construction contracts	2,525,722	1,877,480
Corporate business	1,391,571	592,408
Shopping centers	1,350,068	1,101,053
Management fees	90,908	50,482
Others	1,530,762	741,459
Advances to other companies	6,010,124	2,507,834
Advances to contractors and suppliers	5,980,101	3,767,890
Accrued receivable	2,315,729	1,597,219
Receivable from related parties (Note 25)	1,645,170	1,750,055
Investment in bonds classified as loans and receivables	1,000,000	200,000
Receivables from employees	313,036	431,515
	44,778,203	29,176,198
Less allowance for impairment losses	308,223	304,153
	44,469,980	28,872,045
Less noncurrent portion	10,384,045	7,293,682
	₱34,085,935	₱21,578,363



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 leisure community developments
- 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
- Shopping centers - pertain to lease receivables from retail spaceManagement fees - pertain to receivables from facilities management services
- Others - pertains to receivables from hotel operations and other support services

The 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 20.00% 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 construction contracts, shopping centers 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.

Receivables from related parties, advances to other companies and accrued receivables 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 have 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 ₱308.2 million and ₱304.2 million as of December 31, 2012 and 2011, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

**2012**

	Residential Development	Construction Contracts	Trade		Others	Advances to Other Companies	Total
			Shopping Centers	Management Fees			
					(In Thousands)		
Balance at beginning of year	₱23,110	₱5,927	₱155,869	₱3,215	₱59,303	₱56,729	₱304,153
Provisions during the period (Note 22)	–	12,854	39,743	–	24	–	52,621
Translation adjustment	–	–	–	–	(471)	–	(471)
Reversal (Note 22)	–	–	–	–	(1,739)	–	(1,739)
Accounts written off	–	–	(45,615)	–	–	(726)	(46,341)
<b>Balance at end of year</b>	<b>₱23,110</b>	<b>₱18,781</b>	<b>₱149,997</b>	<b>₱3,215</b>	<b>₱57,117</b>	<b>₱56,003</b>	<b>₱308,223</b>
Individually impaired	₱9,555	₱18,781	₱117,877	₱2,048	₱56,521	₱56,003	₱260,785
Collectively impaired	13,555	–	32,120	1,167	596	–	47,438
<b>Total</b>	<b>₱23,110</b>	<b>₱18,781</b>	<b>₱149,997</b>	<b>₱3,215</b>	<b>₱57,117</b>	<b>₱56,003</b>	<b>₱308,223</b>
Gross amounts of receivables individually determined to be impaired	₱9,555	₱18,781	₱117,877	₱2,048	₱56,521	₱56,003	₱260,785

**2011**

	Residential Development	Construction Contracts	Trade		Others	Advances to Other Companies	Total
			Shopping Centers	Management Fees			
					(In Thousands)		
Balance at beginning of year	₱17,122	₱5,927	₱153,725	₱4,383	₱63,902	₱12,374	₱257,433
Provisions during the period (Note 22)	5,988	–	2,144	–	63	44,355	52,550
Reversal (Note 22)	–	–	–	–	(4,219)	–	(4,219)
Accounts written off	–	–	–	(1,168)	(443)	–	(1,611)
<b>Balance at end of year</b>	<b>₱23,110</b>	<b>₱5,927</b>	<b>₱155,869</b>	<b>₱3,215</b>	<b>₱59,303</b>	<b>₱56,729</b>	<b>₱304,153</b>
Individually impaired	₱9,555	₱5,927	₱143,261	₱3,215	₱59,303	₱45,409	₱266,670
Collectively impaired	13,555	–	12,608	–	–	11,320	37,483
<b>Total</b>	<b>₱23,110</b>	<b>₱5,927</b>	<b>₱155,869</b>	<b>₱3,215</b>	<b>₱59,303</b>	<b>₱56,729</b>	<b>₱304,153</b>
Gross amounts of receivables individually determined to be impaired	₱34,813	₱5,927	₱174,475	₱3,215	₱59,301	₱51,318	₱329,049

As of December 31, 2012 and 2011, residential development, advances to other companies and receivables from employees with a nominal amount of ₱13,311.4 million and ₱13,790.2 million, respectively, were recorded initially at fair value. The fair value of the receivables was 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, 2012 and 2011 follow:

	2012	2011
		(In Thousands)
Balance at beginning of the year	₱2,729,328	₱1,250,257
Additions during the year	1,534,751	2,379,733
Accretion for the year	(1,310,130)	(900,662)
Acceleration of accretion pertaining to sold receivables	(447,029)	–
<b>Balance at end of the year</b>	<b>₱2,506,920</b>	<b>₱2,729,328</b>

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 (Note 25) and ₱1,228.2 million to RCBC Savings. The total discounting cost on these receivables amounted to ₱498.0 million 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 statements 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 resulted to no gain or loss (see Note 25).

## 8. Inventories

This account consists of:

	2012	2011
	(In Thousands)	
Real estate:		
Residential and commercial lots:		
At cost	₱8,105,910	₱9,273,300
At NRV	936,183	936,183
Residential and commercial units -		
at cost	14,699,323	11,356,871
Club shares - at cost	328,971	342,217
	<b>₱24,070,387</b>	<b>₱21,908,571</b>

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

### 2012

	Residential and commercial lots	Residential and commercial units	Club shares	Total
	(In Thousands)			
Opening balances at January 1	₱10,209,483	₱11,356,871	₱342,217	₱21,908,571
Land acquired during the year	228,291	176,519	-	404,810
Land cost transferred from land and improvements	1,194,843	-	-	1,194,843
Construction/development costs incurred	3,482,199	16,223,545	-	19,705,744
Disposals (recognized as cost of sales) (Note 22)	(5,586,855)	(13,844,426)	(13,246)	(19,444,527)
Write-down of inventories/reversal of write-down	-	-	-	-
Transfers from investment properties	76,726	39,360	-	116,086
Other adjustments/reclassifications	(562,594)	747,454	-	184,860
	<b>₱9,042,093</b>	<b>₱14,699,323</b>	<b>₱328,971</b>	<b>₱24,070,387</b>



2011

	Residential and commercial lots	Residential and commercial units	Club shares	Total
	(In Thousands)			
Opening balances at January 1	₱7,933,271	₱5,331,408	₱350,017	₱13,614,696
Land acquired during the year	21,746	–	–	21,746
Land cost transferred from land and improvements	919,221	445,261	–	1,364,482
Construction/development costs incurred	5,225,000	15,427,530	–	20,652,530
Disposals (recognized as cost of sales) (Note 22)	(3,843,545)	(10,121,524)	(7,800)	(13,972,869)
Write-down of inventories/reversal of write-down	(87,081)	–	–	(87,081)
Transfers to investment properties	–	–	–	0
Other adjustments/reclassifications	40,871	274,196	–	315,067
	<b>₱10,209,483</b>	<b>₱11,356,871</b>	<b>₱342,217</b>	<b>₱21,908,571</b>

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

## 9. Other Current Assets

This account consists of:

	2012	2011
	(In Thousands)	
Prepaid expenses	<b>₱5,442,898</b>	₱2,349,799
Value-added input tax – net	<b>4,609,604</b>	1,675,970
Deposits in escrow	<b>2,150,889</b>	147,529
Creditable withholding tax	<b>1,192,933</b>	2,448,600
Materials, parts and supplies - at cost	<b>167,337</b>	95,471
Advances to suppliers	<b>73,567</b>	63,336
Others	<b>163,333</b>	253,803
	<b>₱13,800,561</b>	<b>₱7,034,508</b>

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

The 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 sale of Serendra and Alveo projects without permanent license to sell. Under its temporary license to sell, 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.



The deposits in escrow account also include cash deposit of Summerhill E-Office, Inc. (Buyer) amounting to ₱1,175.2 million with an Escrow Agent on August 15, 2012 in relation to the Buyer's purchase of parcels of land from a third party 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 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 Group will be able to apply the creditable withholding taxes against income tax payable.

#### 10. Available-for-sale Financial Assets

This account consists of investments in:

	2012	2011
	(In Thousands)	
Shares of stock:		
Unquoted	<b>₱216,655</b>	₱253,800
Quoted	<b>197,241</b>	168,597
Treasury bonds	–	216,933
	<b>413,896</b>	639,330
Net unrealized gain	<b>40,374</b>	71,112
	<b>₱454,270</b>	₱710,442

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

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

In 2012, the Group recorded a provision for impairment losses on investment 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 preferred shares from AC amounting to ₱100.0 million at a purchase price of ₱500 per share (included under quoted shares of stock).

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

	2012	2011
	(In Thousands)	
Balance at beginning of year	<b>₱71,112</b>	₱55,348
Fair value changes during the year	<b>(20,162)</b>	15,764
Fair value loss transferred to income	<b>(10,576)</b>	–
Balance at end of year	<b>₱40,374</b>	₱71,112



## 11. Land and Improvements

The rollforward analysis of this account follows:

	2012	2011
	(In Thousands)	
<b>Cost</b>		
Balance at beginning of year	<b>₱19,246,705</b>	₱16,561,902
Additions	<b>30,168,416</b>	4,049,285
Transfers*	<b>(1,194,843)</b>	(1,364,482)
Balance at end of year	<b>48,220,278</b>	19,246,705
<b>Allowance for Impairment</b>		
Balance at beginning and end of year	<b>510,125</b>	510,125
	<b>₱47,710,153</b>	₱18,736,580

\* Transfers pertain to land to be developed for sale and included under "Inventories" account.

During the year, 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 ₱22.4 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.

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 in a model for urban renewal. The development will also 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. Development of Phase 1 commenced in the second quarter of 2012.



## 12. Investments in Associates and Jointly Controlled Entities

This account consists of:

	2012	2011
		(In Thousands)
Acquisition cost	<b>₱7,139,669</b>	<b>₱7,536,683</b>
Accumulated equity in net earnings:		
Balance at beginning of year	<b>5,089,548</b>	4,502,926
Equity in net earnings during the year	<b>1,334,255</b>	898,550
Dividends received during the year	<b>(412,334)</b>	(311,928)
Balance at end of year	<b>6,011,469</b>	5,089,548
	<b>₱13,151,138</b>	<b>₱12,626,231</b>

The Group's equity in the net assets of associates and jointly controlled entities and the related percentages of ownership are shown below.

	Percentages of Ownership		Carrying Amounts	
	2012	2011	2012	2011
				(In Thousands)
<b>Jointly controlled entities:</b>				
Emerging City Holdings, Inc. (ECHI)	50%	50%	<b>₱3,964,098</b>	₱3,682,241
Berkshires Holdings, Inc. (BHI)	50	50	<b>1,698,876</b>	1,578,080
BG West Properties, Inc. (BGW)	50	50	<b>323,113</b>	247,201
BG South Properties, Inc. (BGS)	50	50	<b>270,071</b>	195,419
BG North Properties, Inc. (BGN)	50	50	<b>135,238</b>	2,537
SIAL Specialty Retailers, Inc. (SIAL Specialty)	50	-	<b>53,611</b>	-
SIAL CVS Retailers, Inc. (SIAL CVS)	50	-	<b>84,289</b>	-
			<b>6,529,296</b>	5,705,478
<b>Associates:</b>				
Cebu Holdings, Inc. (CHI) and subsidiaries	50	47	<b>2,673,096</b>	2,264,852
North Triangle Depot Commercial Corporation (NTDCC)	49	49	<b>1,281,937</b>	1,336,389
Bonifacio Land Corp. (BLC)	10	10	<b>1,278,772</b>	1,160,722
Tianjin Eco-City Ayala Land Development Co., Ltd.	40	40	<b>693,759</b>	729,374
Alabang Commercial Corporation (ACC)	50	50	<b>634,188</b>	616,562
Lagoon Development Corporation (LDC)	30	30	<b>55,730</b>	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	-	739,106
Others	-	-	<b>4,360</b>	2,500
			<b>6,621,842</b>	6,920,753
			<b>₱13,151,138</b>	<b>₱12,626,231</b>

As of December 31, 2012 and 2011, the Group had total commitments relating to the Group's interests in the joint ventures amounting to ₱398.2 million and ₱826.7 million, respectively.



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

The fair value of the investment in CHI amounted to ₱3,825.0 million and ₱2,270.5 million as of December 31, 2012 and 2011, respectively. CHI's subsidiary, Cebu Property Ventures Development Corp. (CPVDC), owns 40% interest in AiO (see Note 2).

Financial information on the Company's proportionate share in its significant jointly controlled entities follows (in thousands):

<b>ECHI and Subsidiaries</b>	<b>2012</b>	<b>2011</b>
Current assets	<b>₱2,449,117</b>	₱2,734,449
Noncurrent assets	<b>2,868,667</b>	2,546,734
Total assets	<b>5,317,784</b>	5,281,183
Current liabilities	<b>315,443</b>	466,259
Noncurrent liabilities	<b>647,394</b>	481,457
Total liabilities	<b>962,837</b>	947,716
Net operating revenue	<b>886,508</b>	701,559
Costs and expenses	<b>786,156</b>	528,770
Net income	<b>100,352</b>	172,789

<b>BHI and Subsidiaries</b>	<b>2012</b>	<b>2011</b>
Current assets	<b>₱30,070</b>	₱30,087
Noncurrent assets	<b>1,871,038</b>	1,878,180
Total assets	<b>1,901,108</b>	1,908,267
Total liabilities	<b>3,296</b>	3,283
Net operating revenue	<b>47,209</b>	57,203
Costs and expenses	<b>39</b>	28
Net income	<b>47,170</b>	57,175

Financial information on the Company's significant associates follows (in thousands, except earnings per share):

<b>CHI and Subsidiaries</b>	<b>2012</b>	<b>2011</b>
Total assets	<b>₱10,920,248</b>	₱7,130,254
Total liabilities	<b>5,638,170</b>	2,101,863
Net operating revenue	<b>1,337,299</b>	1,348,890
Costs and expenses	<b>896,175</b>	883,876
Net income	<b>441,124</b>	465,014
Earnings per share	<b>0.23</b>	0.22

<b>NTDCC</b>	<b>2012</b>	<b>2011</b>
Total assets	<b>₱7,057,288</b>	₱7,242,779
Total liabilities	<b>4,697,251</b>	4,771,355
Net operating revenue	<b>1,875,670</b>	1,776,526
Costs and expenses	<b>1,373,243</b>	1,358,854
Net income	<b>502,427</b>	417,672



<b>ACC</b>	<b>2012</b>	<b>2011</b>
Total assets	<b>₱2,119,369</b>	₱1,849,402
Total liabilities	<b>1,073,502</b>	851,189
Net operating revenue	<b>858,417</b>	713,247
Costs and expenses	<b>535,782</b>	429,380
Net income	<b>322,635</b>	283,867

<b>BLC and Subsidiaries</b>	<b>2012</b>	<b>2011</b>
Total assets	<b>₱42,586,417</b>	₱42,852,341
Total liabilities	<b>7,756,498</b>	7,769,318
Net operating revenue	<b>7,154,345</b>	4,064,943
Costs and expenses	<b>6,353,297</b>	2,893,927
Net income	<b>801,048</b>	1,171,016

<b>ARCH Capital Fund</b>	<b>2011</b>
Total assets	₱17,984,045
Total liabilities	6,948,333
Net operating revenue	1,373,595
Costs and expenses	486,186
Net income	887,409

<b>AMHRI (formerly KHI Manila Property, Inc.)</b>	<b>2011</b>
Total assets	₱2,274,563
Total liabilities	2,316,271
Net operating revenue	32,426
Costs and expenses	53,827
Net loss	(21,401)

<b>AMHPI (formerly KHI-ALI Manila, Inc.)</b>	<b>2011</b>
Total assets	₱7,848,738
Total liabilities	6,144,342
Net operating revenue	-
Costs and expenses	(21,474)
Net loss	(21,474)

Investment in ECHI and BHI

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

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

On July 31, 2008, the Group acquired, through the Company, Regent 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.





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:

#### Investments in BGW, BGS and BGN

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

#### Investment in ARCH Capital

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 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 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, 2012 and 2011, the Company's remaining capital commitment with the Fund amounted to 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.

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

#### Investment in AMHRI

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

The 7,377-square meter property to be developed was conveyed by the Company to AMHRI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

During the year, the Group obtained control over AMHRI and AMHPI through step acquisition as discussed in Note 24.

#### Investment in SIAL Specialty

SIAL Specialty was incorporated on September 27, 2012 as a joint venture between Varejo and SII, wholly-owned subsidiaries of the Company and SSI, respectively. SSI is one of the largest specialty retail companies in the Philippines with the exclusive distribution rights to a variety of brands from around the world.



The partnership, which combines the Company's expertise in developing mixed-use developments and SSI's proven track record in retail, is aimed at pursuing retail solutions to address the growing and changing lifestyle needs of the market.

SIAL Specialty was organized primarily for the investment and operation of mid-market department stores and to pursue other investment opportunities in the Philippine retail sector.

Investment in SIAL CVS

SIAL CVS is an equally-owned joint venture between Varejo, the Company's wholly-owned subsidiary and SII, SSI's wholly-owned subsidiary.

SIAL CVS shall be the vehicle for the investment in the operation of convenience stores in the Philippines. SIAL CVS capitalizes on the Company's expertise in mixed-use developments and SSI's experience in the Philippine retail market. The Parties agreed to incorporate a special purpose vehicle that shall form a partnership with FamilyMart Co. Ltd. and Itochu Corporation for the operation of FamilyMart convenience stores in the Philippines.

**13. Investment Properties**

The rollforward analysis of this account follows:

**2012**

	Land	Building	Construction in Progress	Total
	(In Thousands)			
<b>Cost</b>				
Balance at beginning of year	₱3,183,759	₱32,533,864	₱3,905,505	₱39,623,128
Additions	36,305	834,403	6,385,677	7,256,385
Disposals	-	(3,215)	-	(3,215)
Transfers (Note 35)	(116,086)	4,231,454	(4,327,500)	(212,132)
Balance at end of year	3,103,978	37,596,506	5,963,682	46,664,166
<b>Accumulated Depreciation</b>				
Balance at beginning of year	-	9,132,817	-	9,132,817
Depreciation	-	1,018,617	-	1,018,617
Disposals	-	(3,215)	-	(3,215)
Impairment losses (Note 22)	-	19,500	-	19,500
Balance at end of year	-	10,167,719	-	10,167,719
<b>Net Book Value</b>	<b>₱3,103,978</b>	<b>₱27,428,787</b>	<b>₱5,963,682</b>	<b>₱36,496,447</b>

**2011**

	Land	Building	Construction in Progress	Total
	(In Thousands)			
<b>Cost</b>				
Balance at beginning of year	₱1,893,826	₱28,215,394	₱3,223,649	₱33,332,869
Additions	1,323,748	1,689,313	3,595,369	6,608,430
Transfers (Note 35)	(33,815)	2,776,157	(2,913,513)	(171,171)
Write-off (Note 22)	-	(147,000)	-	(147,000)
Balance at end of year	3,183,759	32,533,864	3,905,505	39,623,128
<b>Accumulated Depreciation</b>				
Balance at beginning of year	-	7,588,043	-	7,588,043
Depreciation	-	1,544,774	-	1,544,774
Balance at end of year	-	9,132,817	-	9,132,817
<b>Net Book Value</b>	<b>₱3,183,759</b>	<b>₱23,401,047</b>	<b>₱3,905,505</b>	<b>₱30,490,311</b>



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 (like 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 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 ₱213,059.3 million and ₱182,387.4 million as of December 31, 2012 and 2011, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

The values of the land and buildings were arrived at using the Market Data Approach and Cost Approach, respectively. In market data 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.

Interest capitalized amounted to ₱188.9 million and ₱144.0 million in 2012 and 2011, respectively.

Consolidated rental income from investment properties amounted to ₱9,744.6 million, ₱8,137.2 million and ₱7,211.5 million in 2012, 2011 and 2010, respectively (see Note 21). Consolidated direct operating expenses arising from the investment properties amounted to ₱2,439.3 million in 2012, ₱2,588.8 million in 2011 and ₱2,096.7 million in 2010, respectively (see Note 22).

Depreciation and amortization expense pertaining to investment properties amounted to ₱1,018.6 million, ₱1,544.8 million and ₱1,038.9 million in 2012, 2011 and 2010, respectively (see Note 22).



## 14. Property and Equipment

The rollforward analysis of this account follows:

### 2012

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
(In Thousands)						
<b>Cost</b>						
January 1	₱1,610,333	₱2,370,358	₱1,903,923	₱696,050	₱5,127,850	₱11,708,514
Additions	1,833,354	2,081,922	399,742	23,136	3,150,651	7,488,805
Acquisitions through business combination (Note 24)	-	-	-	-	5,421,000	5,421,000
Disposals/Write-offs	(4,610)	(25,015)	(17,378)	(53,127)	(4,175)	(104,305)
Transfers	-	89,895	6,152	-	(771,910)	(675,863)
December 31	3,439,077	4,517,160	2,292,439	666,059	12,923,416	23,838,151
<b>Accumulated Depreciation and Amortization</b>						
January 1	673,171	1,701,981	1,293,928	442,820	2,201,143	6,313,043
Depreciation and amortization (Note 22)	162,563	342,795	300,309	97,930	160,903	1,064,500
Disposals	(4,416)	(22,261)	(12,590)	(47,009)	(4,175)	(90,451)
Transfers	-	-	-	-	(7,468)	(7,468)
December 31	831,318	2,022,515	1,581,647	493,741	2,350,403	7,279,624
<b>Net Book Value</b>	<b>₱2,607,759</b>	<b>₱2,494,645</b>	<b>₱710,792</b>	<b>₱172,318</b>	<b>₱10,573,013</b>	<b>₱16,558,527</b>

### 2011

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
(In thousands)						
<b>Cost</b>						
January 1	₱1,487,708	₱2,036,787	₱1,555,574	₱619,470	₱4,094,610	₱9,794,149
Additions	356,986	369,117	244,286	137,427	1,200,744	2,308,560
Disposals/Write-offs	(8,526)	(35,291)	(23,048)	(60,847)	(9,172)	(136,884)
Transfers	(225,835)	(255)	127,111	-	(158,332)	(257,311)
December 31	1,610,333	2,370,358	1,903,923	696,050	5,127,850	11,708,514
<b>Accumulated Depreciation and Amortization</b>						
January 1	565,445	1,515,206	1,136,489	368,336	2,040,684	5,626,160
Depreciation and amortization	114,420	217,564	167,285	90,470	169,200	758,939
Disposals	(6,694)	(30,789)	(9,846)	(15,986)	(8,741)	(72,056)
December 31	673,171	1,701,981	1,293,928	442,820	2,201,143	6,313,043
<b>Net Book Value</b>	<b>₱937,162</b>	<b>₱668,377</b>	<b>₱609,995</b>	<b>₱253,230</b>	<b>₱2,926,707</b>	<b>₱5,395,471</b>

The consolidated depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱1,064.5 million, ₱758.9 million and ₱715.9 million in 2012, 2011 and 2010, respectively.

Additions includes capitalized interest amounted to ₱50.4 million and ₱8.2 million in 2012 and 2011, respectively (see Note 22).

## 15. Other Noncurrent Assets

Other noncurrent assets totaling ₱2,904.2 million and ₱2,024.0 million as of December 31, 2012 and 2011 consist of deferred charges, deposits, goodwill (see Note 24), pension assets (see Note 26) and other assets.



As of December 31, 2012 and 2011, this account also includes leasehold right of a subsidiary amounting to ₱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, 2012 and 2011 amounted to ₱13.9 million and ₱7.2 million, respectively. Amortization expense (included under “Hotels and resorts operations”) both amounted to ₱6.7 million each in 2012 and 2011 and ₱0.5 million in 2010.

## 16. Accounts and Other Payables

This account consists of:

	2012	2011
		(In Thousands)
Accounts payable	<b>₱29,026,136</b>	₱23,435,637
Accrued project costs	<b>10,810,152</b>	7,458,627
Taxes payable	<b>3,120,390</b>	2,461,943
Payable to related parties (Note 25)	<b>2,354,642</b>	1,049,592
Retentions payable	<b>1,055,802</b>	218,979
Accrued professional and management fees	<b>877,916</b>	136,950
Interest payable	<b>864,300</b>	478,852
Accrued advertising and promotions	<b>560,726</b>	157,506
Accrued salaries and employee benefits	<b>521,824</b>	342,491
Accrued utilities	<b>386,313</b>	103,693
Accrued rentals	<b>334,334</b>	275,066
Accrued repairs and maintenance	<b>273,939</b>	353,949
Dividends payable	<b>8,153</b>	7,113
Accrued expenses – others	<b>1,533,916</b>	1,648,987
	<b>₱51,728,543</b>	₱38,129,385

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 15 to 60-day terms. Other payables are noninterest-bearing and are normally settled within one year.

Accrued expenses consist mainly of 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 ₱9,282.8 million and ₱4,638.8 million in 2012 and 2011, respectively, represent unsecured peso-denominated bank loans and dollar-denominated bank loans of the Company and its subsidiaries. Interest rates for peso-denominated bank loans ranged from 1.21% to 5.15% per annum (p.a.) in 2012 and from 3.50% to 5.00% p.a. in 2011. Interest rates for dollar-denominated bank loans of the Company, which amounted to ₱1,885.8 million and ₱1,509.8 million in 2012 and 2011, respectively, ranged from 1.05% to 1.95% in 2012 and 1.18% to 2.01% in 2011.



Long-term debt consists of:

	2012	2011
	(In Thousands)	
Company:		
Bonds:		
Due 2012	₱–	₱325,390
Due 2013	4,630,680	4,417,900
Due 2014	397,705	173,715
Due 2015	999,950	–
Due 2019	9,350,000	–
Due 2022	5,650,000	–
Floating rate corporate notes (FRCNs)	4,500,000	1,000,000
Fixed rate corporate notes (FXCNs)	12,675,000	12,675,000
Bank loan -US Dollar	2,402,862	–
	<b>40,606,197</b>	<b>18,592,005</b>
Subsidiaries:		
Bank loans - Philippine Peso	14,336,009	10,963,669
Bank loans - US Dollar	4,127,550	336,253
Fixed rate corporate notes	1,300,000	–
	<b>19,763,559</b>	<b>11,299,922</b>
	<b>60,369,756</b>	<b>29,891,927</b>
Less unamortized transaction costs	202,136	77,195
	<b>60,167,620</b>	<b>29,814,732</b>
Less current portion	6,386,834	1,556,761
	<b>₱53,780,786</b>	<b>₱28,257,971</b>

### The Company

#### *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 bond in 2012 and 2011.

#### *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, 2012 and 2011, outstanding bonds amounted to nil and ₱325.4 million, respectively.



*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, 2012 and 2011, bond issued amounted ₱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, 2012 and 2011, bond issued amounted to ₱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 7-Year and 10-year Bonds due 2019 and 2022*

In 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 5-, 7- and 10-year FXCNs due 2011, 2013 and 2016*

In 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.

*Philippine Peso 5-, 7- and 10-year FXCN due 2014, 2016 and 2019*

In 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%.

*Philippine Peso 7-year FRCN due 2016*

In 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%, repriced quarterly. The FRCNs will mature on the seventh anniversary of the initial drawdown date.

*Philippine Peso 10-year FRCN due 2022*

In 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 FRCN currently bears a floating interest rate of 4.00% based on the 3-month PDST-R1 plus a spread of 0.75%, repriced quarterly. 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 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.

*US Dollar-denominated Long-term Loan*

In 2012, the Company executed and fully drew on 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), repriced quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date.

Transaction costs capitalized amounted to ₱140.1 million and ₱88.2 million in 2012 and 2011 respectively. Amortization amounted ₱21.7 million and ₱10.8 million was expensed as part of "Interest and other financing charges" in 2012 and 2011, respectively (see Note 22).

Subsidiaries

The subsidiaries' loans will mature on various dates up to 2020. Peso-denominated loans bear floating interest rates at 50 bps to 112.5 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 25 to 50 bps. A term loan facility of a subsidiary is secured by a Mortgage Trust



Indenture over land and building with a total carrying value ₱690.0 million and ₱701.5 million as of December 31, 2012 and 2011, 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, repriced 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.

Interest capitalized amounted to ₱239.4 million and ₱152.3 million in 2012 and 2011, respectively. The average capitalization rates are 6.88% in 2012 and 2011, respectively.

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#### 18. Other Current Liabilities

Other current liabilities consist of tenants' deposits and construction bonds to be refunded by the Group through the application of the amount thereof against the rent and service due which amounted to ₱4,141.0 million and ₱1,124.6 million as of December 31, 2012 and 2011, respectively.

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#### 19. Deposits and Other Noncurrent Liabilities

Deposits and other noncurrent liabilities consist of:

	2012	2011
		(In Thousands)
Deposits	<b>₱10,363,823</b>	₱5,124,065
Retentions payable	<b>2,180,590</b>	2,338,399
Other liabilities (Note 25)	<b>337,842</b>	333,321
	<b>₱12,882,255</b>	₱7,795,785

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 retention from the contractors' progress billings which will be later released after the completion of contractors' project. The retention serves as a security from the contractor should there be defects in the project.



## 20. Equity

The details of the number of shares in thousands follow:

	2012		2011		2010	
	Preferred	Common	Preferred	Common	Preferred	Common
	(In Thousands)					
Authorized	28,000,000	20,000,000	15,000,000	20,000,000	15,000,000	20,000,000
Issued	26,101,099	13,729,402	13,034,604	13,022,771	13,034,604	13,012,004
Subscribed	–	102,159	–	99,917	–	96,468
Treasury	(13,034,604)	(79,528)	–	(79,528)	–	(79,528)
Outstanding	13,066,495	13,752,033	13,034,604	13,043,160	13,034,604	13,028,944

### 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.



Common Shares

The rollforward analysis of the outstanding number of common shares follows:

	2012	2011	2010
		(In Thousands)	
At beginning of year	<b>13,043,160</b>	13,028,944	13,001,280
Additional subscriptions	<b>708,873</b>	14,216	27,664
At end of year	<b>13,752,033</b>	13,043,160	13,028,944

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 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 Ayala Corporation 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 10,146 and 10,515 existing certified shareholders as of December 31, 2012 and 2011, respectively.

Treasury Shares

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 will be subsequently retired upon approval of the Company's SEC application for the decrease in authorized capital stock.

On August 12, 2008, the BOD approved a share buyback program. It is part of the Company's balance sheet management program and aims to (i) improve the Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Company as not reflective of its fair corporate value.



In 2008, the Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program.

#### Retained Earnings

The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.21, ₱0.15 and ₱0.09 per share in 2012, 2011 and 2010, respectively, to all issued and outstanding shares.

On October 3, 2011 and August 26, 2010, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends at the dividend rate of 4.64% p.a. 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:

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, approved on May 21, 2012.

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, approved on November 23, 2012.

Fairview Terraces, mixed use development in Northeastern Metro Manila with Regional Mall and BPO components, approved on August 26, 2011.

Ayala Center Cebu Corporate Center in Cebu Business Park, 20-storey Grade A BPO building; Circuit Tower in Sta. Ana by Alveo, high-rise residential condominium development offering 477 units, approved on February 19, 2013.

Retained earnings also include undistributed net earnings amounting to ₱13,948.6 million, ₱16,918.6 million and ₱13,173.5 million as of December 31, 2012, 2011 and 2010, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures.



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, 2012 and 2011 amounted to ₱19.9 billion and ₱19.2 billion, respectively.

#### 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, 2012 and 2011, the Group had the following ratios:

	<b>2012</b>	<b>2011</b>
Debt to equity	<b>84.4%</b>	55.3%
Net debt to equity	<b>48.8%</b>	15.5%

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, financial assets at FVPL and the current portion of AFS financial assets. 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, 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 57:43 and 62:38 as of December 31, 2012 and 2011, respectively. As a result, any adverse movement in interest rates is mitigated.



Exposure to foreign currency holdings is at US\$64.3 million and US\$31.2 million as of December 31, 2012 and 2011, respectively.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on a short term investment.

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## 21. Real Estate Revenue

This account consists of:

	2012	2011	2010
		(In Thousands)	
Land and residential unit sales	<b>₱32,324,532</b>	₱24,835,560	₱19,427,182
Leasing (Note 13)	<b>9,744,568</b>	8,137,247	7,211,531
Construction	<b>4,313,717</b>	5,135,115	6,177,446
Hotels and resorts	<b>2,451,992</b>	2,244,159	1,894,917
Management and marketing fees	<b>1,069,524</b>	878,753	697,364
	<b>₱49,904,333</b>	₱41,230,834	₱35,408,440

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## 22. Other Income and Costs and Expenses

Other income consists of:

	2012	2011	2010
		(In Thousands)	
Marketing and management fees	<b>₱349,018</b>	₱360,371	₱397,554
Loss on sale financial assets at FVPL (Note 6)	-	(4,423)	(466)
Unrealized loss on financial assets at FVPL (Note 6)	-	-	(9,338)
Others - net	<b>211,832</b>	61,305	46,459
	<b>₱560,850</b>	₱417,253	₱434,209

Other income mainly consists of gain on sale of equipment, gain on sale of waterworks and sewerage facilities and equipment and other properties, and foreign exchange gains and losses. It also include reversal of impairment losses amounted to ₱1.7 million and ₱4.2 million in 2012 and 2011, respectively (see Note 7).

In 2012 and 2011, the financial impact of net foreign exchange transactions included under other income amounted to ₱106.8 million gain and ₱12.0 million loss, respectively.



Real estate costs and expenses consist of:

	2012	2011	2010
		(In Thousands)	
Cost of real estate sales (Note 8)	<b>₱19,444,527</b>	₱13,972,869	₱12,136,886
Hotels and resorts operations	<b>2,008,886</b>	1,423,399	1,239,938
Marketing and management fees	<b>1,726,089</b>	1,902,581	975,319
Depreciation and amortization	<b>1,657,160</b>	1,881,987	1,470,474
Materials and overhead	<b>1,328,906</b>	3,276,623	4,338,807
Manpower costs	<b>1,309,121</b>	1,104,370	1,191,111
Rental	<b>1,247,470</b>	921,614	998,654
Direct operating expenses:			
Taxes and licenses	<b>943,157</b>	828,601	738,152
Repairs and maintenance	<b>684,792</b>	612,396	342,163
Professional fees	<b>630,561</b>	387,041	289,156
Light and water	<b>602,771</b>	445,166	376,713
Insurance	<b>97,355</b>	94,367	110,943
Transportation and travel	<b>77,362</b>	56,442	24,698
Commission	<b>17,955</b>	23,470	32,018
Entertainment, amusement and recreation	<b>11,114</b>	13,710	10,804
Others	<b>1,651,813</b>	996,495	671,483
	<b>₱33,439,039</b>	₱27,941,131	₱24,947,319

General and administrative expenses consist of:

	2012	2011	2010
		(In Thousands)	
Manpower costs (Note 26)	<b>₱2,653,799</b>	₱2,186,465	₱1,894,708
Professional fees	<b>358,224</b>	213,162	181,314
Depreciation and amortization	<b>243,586</b>	230,302	160,291
Taxes and licenses	<b>179,704</b>	140,844	135,042
Utilities	<b>151,376</b>	119,462	113,439
Repairs and maintenance	<b>111,677</b>	84,034	73,118
Rent	<b>92,948</b>	87,565	60,216
Transportation and travel	<b>75,835</b>	55,867	69,972
Supplies	<b>66,627</b>	43,423	33,166
Advertising	<b>61,156</b>	49,360	62,411
Entertainment, amusement and recreation	<b>56,034</b>	22,646	59,884
Insurance	<b>54,460</b>	29,692	38,411
Security and janitorial	<b>45,469</b>	47,101	34,963
Dues and fees	<b>31,187</b>	23,882	18,071
Training and seminars	<b>22,547</b>	19,143	7,022
Donations and contribution	<b>22,025</b>	14,790	23,430
Others	<b>216,337</b>	111,874	222,895
	<b>₱4,442,991</b>	₱3,479,612	₱3,188,353





Manpower costs included in the consolidated statements of income follow:

	2012	2011	2010
	(In Thousands)		
Real estate costs and expenses			
Cost of real estate	₱1,309,121	₱1,104,370	₱1,191,111
Hotels and resorts operations	310,760	194,458	179,445
General and administrative expenses	2,653,799	2,186,465	1,894,708
	<b>₱4,273,680</b>	<b>₱3,485,293</b>	<b>₱3,265,264</b>

Depreciation and amortization expense included in the consolidated statements of income follow:

	2012	2011	2010
	(In Thousands)		
Real estate costs and expenses			
Cost of real estate	₱1,657,160	₱1,881,987	₱1,470,474
Hotels and resorts operations	189,049	198,100	177,247
General and administrative expenses	243,586	230,302	160,291
	<b>₱2,089,795</b>	<b>₱2,310,389</b>	<b>₱1,808,012</b>

Interest and other financing charges consist of:

	2012	2011	2010
	(In Thousands)		
Interest expense on:			
Short-term debt (Note 17)	₱152,008	₱131,592	₱51,656
Long-term debt (Note 17)	2,113,264	1,707,305	1,397,741
Other financing charges	785,581	40,873	89,714
	<b>₱3,050,853</b>	<b>₱1,879,770</b>	<b>₱1,539,111</b>

Other charges consist of:

	2012	2011	2010
	(In Thousands)		
Provision for impairment losses on:			
Receivables (Note 7)	₱52,621	₱52,550	₱57,206
Investment in associate (Note 12)	58,996	-	-
Investment properties (Note 13)	19,500	-	-
AFS financial asset (Note 10)	16,771	-	-
Other assets	67,166	-	-
Write-offs and other charges	150,392	142,742	221,306
	<b>₱365,446</b>	<b>₱195,292</b>	<b>₱278,512</b>



## 23. Income Tax

The components of deferred taxes are as follows:

Net deferred tax assets:

	2012	2011
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	<b>₱1,534,857</b>	₱1,071,486
Allowance for impairment losses	<b>861,813</b>	877,258
Retirement benefits	<b>246,044</b>	252,574
Outstanding share-based payments	<b>116,434</b>	90,057
Advanced rentals	<b>77,869</b>	129,087
Unrealized foreign exchange losses	<b>16,881</b>	13,154
Accrued expenses	<b>212</b>	5,179
Others	<b>9,815</b>	1,204
	<b>2,863,925</b>	2,439,999
Deferred tax liabilities on:		
Capitalized interest and other expenses	<b>(543,529)</b>	(477,015)
Unrealized foreign exchange gain	<b>(22,791)</b>	(748)
Others	<b>(7,487)</b>	(13,603)
	<b>(573,807)</b>	(491,366)
	<b>₱2,290,118</b>	₱1,948,633

Net deferred tax liabilities:

	2012	2011
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	<b>₱360,289</b>	₱97,392
Retirement benefits	<b>3,554</b>	1,842
Unrealized foreign exchange losses	<b>591</b>	1,105
Allowance for impairment losses	<b>514</b>	3,916
NOLCO	-	1,075
Advanced rentals	-	407
Others	<b>1,387</b>	-
	<b>366,335</b>	105,737
Deferred tax liabilities on:		
Fair value adjustment arising from business combination	<b>(789,539)</b>	(399,140)
Difference between tax and book basis of accounting for real estate transactions	<b>(264,901)</b>	(325,558)
Unrealized foreign exchange gain	<b>(29,835)</b>	(367)
Prepaid expenses	-	(120,134)
Capitalized interest and other expenses	-	(3,586)
Others	<b>(36)</b>	(1,186)
	<b>(1,084,311)</b>	(849,971)
	<b>(₱717,976)</b>	(₱744,234)



Certain subsidiaries of the Company have NOLCO amounting to ₱108.0 million and ₱194.0 million as of December 31, 2012 and 2011, respectively, and MCIT amounting to ₱5.4 million and ₱6.6 million as of December 31, 2012 and 2011, 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.

As of December 31, 2012, 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)				
2009	₱96,573	₱96,573	₱-	2012
2010	95,790	1,965	93,825	2013
2011	5,582	-	5,582	2014
2012	8,629	-	8,629	2015
	<b>₱206,574</b>	<b>₱98,538</b>	<b>₱108,036</b>	

MCIT:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
(In Thousands)				
2009	₱1,665	₱1,665	₱-	2012
2010	2,671	-	2,671	2013
2011	2,244	-	2,244	2014
2012	511	-	511	2015
	<b>₱7,091</b>	<b>₱1,665</b>	<b>₱5,426</b>	

Reconciliation between the statutory and the effective income tax rates follows:

	2012	2011	2010
Statutory income tax rate	<b>30.00%</b>	30.00%	30.00%
Tax effect of:			
Interest income and capital gains taxed at lower rates	<b>(1.70)</b>	(0.09)	(3.52)
Interest income subject to final tax and income under tax holiday (Note 31)	<b>(1.79)</b>	(1.14)	(1.79)
Equity in net earnings of associates and jointly controlled entities	<b>(2.46)</b>	(2.52)	(3.46)
Others - net	<b>(2.18)</b>	(1.79)	(1.23)
<b>Effective income tax rate</b>	<b>21.87%</b>	24.46%	20.00%

Board of Investments (BOI) Incentives

On May 4, 2012, the BOI issued in favor of a subsidiary 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 a subsidiary 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 a subsidiary 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 a subsidiary 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 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 March 23, 2011, the BOI issued in favor of a subsidiary 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.

On December 13, 2011, the BOI issued in favor of a subsidiary 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 a subsidiary 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 a subsidiary 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.

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## 24. Business Combinations

ALI Makati Hotel & Residences, Inc. (AMHRI) and ALI Makati Hotel Property, Inc. (AMHPI)  
On October 2, 2012, AHRC, a wholly-owned subsidiary of the Company, entered into an agreement to acquire the interests of Kingdom Manila B.V., an affiliate of Kingdom Hotel Investments (KHI), and its nominees in KHI-ALI Manila Inc. (now renamed AMHRI) and 72,124 common shares in KHI Manila Property Inc. (now renamed AMHPI).

AMHRI and AMHPI are the project companies 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.

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.

Prior to the acquisition, the Company effectively owned 20% economic interest in AMHRI and AMHPI (see Note 12), and through this acquisition, AHRC and the Company's ownership in AMHRI and AMHPI now stands at 100%. The fair value of the Company's interest prior to the acquisition amounting to ₱606.8 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.

The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. The following are the preliminary fair values of the identifiable assets and liabilities assumed (in thousands):

<b>Assets</b>	
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
	<hr/>
	9,601,000

(Forward)



<b>Liabilities</b>	
Accounts and other payables	₱2,973,000
Loans payable	3,594,000
Deferred tax liabilities	390,398
	6,957,398
Total net assets acquired	2,643,602
Acquisition cost	3,037,232
Goodwill	₱393,630

The Company's share in the fair values of the net assets amounted to ₱2,643.6 million, which resulted in a goodwill amounting to ₱393.6 million (included under "Other noncurrent assets").

From the date of acquisition, 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 the year, the Group's total revenue would have been ₱58,862.3 million, while the Group's net income would have been ₱9,899.2 million.

#### TKPI and TKDC

The Company entered into an agreement with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) to create a company which will serve as a holding vehicle for TKPI and TKDC (wholly-owned subsidiaries of the ACC Group before the Company's entry). 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 and ACC Group acquiring 40%. The Company infused ₱2.0 billion cash to obtain the 60% stake.

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:

<b>Assets</b>	
Cash and cash equivalents	₱365,652
Trade and other receivables	1,455,940
Inventories	16,393
Other current assets	25,401
Land and improvements	1,361,645
Deposit on land purchase	444,622
Property and equipment	493,328
Other assets	140,640
	4,303,621

(Forward)



**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 Company’s share in the fair values of the net assets amounted to ₱2,030.0 million, which resulted in a negative goodwill amounting to ₱0.52 million (included under “other income”).

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 interest has been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

In 2011, the shareholders of ECI, a subsidiary of the Company, 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. The application for the increase in authorized capital stock has been filed with the SEC. Upon approval of the SEC, the Company and ACC Group will obtain 60% and 40% ownership interest in ECI, respectively. Also, TKDC and TKPI will become wholly-owned subsidiaries of ECI.

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.

APPHC

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 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.

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 jointly controlled by the Company, MIL, and FIL.

## 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

As of December 31, 2012 and 2011, the Group maintains current and savings account, money market placements and Long-term debt payable with BPI broken down as follows:

	<b>2012</b>	2011
	(In Thousands)	
Cash in bank	<b>₱11,467,210</b>	₱2,880,037
Cash equivalents	<b>13,302,950</b>	12,192,731
Long-term debt	<b>8,054,138</b>	3,239,900

#### b. Outstanding balances from/to related parties follow (amounts in thousands):

### **2012**

	Amounts owed by related parties			Amounts owed to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
<b>Parent Company:</b>						
AC	<b>₱83,195</b>	<b>₱-</b>	<b>₱83,195</b>	<b>₱223,232</b>	<b>₱-</b>	<b>₱223,232</b>
<b>Associates:</b>						
ACC	131,377	-	131,377	74,235	-	74,235
CHI	64,103	-	64,103	340,237	-	340,237
NTDCC	50,252	-	50,252	16,571	-	16,571
BLC	2	-	2	212,696	-	212,696
	<b>245,734</b>	<b>-</b>	<b>245,734</b>	<b>643,739</b>	<b>-</b>	<b>643,739</b>

(Forward)





	Amounts owed by related parties			Amounts owed to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
<b>Other related parties:</b>						
Columbus	₱888,810	₱-	₱888,810	₱1,156,308	₱-	₱1,156,308
Ayala International North America (AINA)	184,725	-	184,725	-	-	-
FBDC	71,833	-	71,833	34	-	34
Globe Telecom	56,281	-	56,281	497	-	497
Ayala Life FGU	50,000	-	50,000	67	-	67
AG Counselors Corp.	20,369	-	20,369	-	-	-
BPI	17,088	-	17,088	130,186	-	130,186
CPVDC	8,074	-	8,074	200,236	-	200,236
Manila Water Company, Inc. (MWC)	-	-	-	343	-	343
Others	19,061	-	19,061	-	89,111	89,111
	1,316,241	-	1,316,241	1,487,671	89,111	1,576,782
	₱1,645,170	₱-	₱1,645,170	₱2,354,642	₱89,111	₱2,443,753

2011

	Amounts owed by related parties			Amounts owed to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
<b>Parent Company:</b>						
AC	₱89,925	₱-	₱89,925	₱29,478	₱-	₱29,478
<b>Associates:</b>						
ACC	17,802	-	17,802	-	-	-
CHI	82,638	-	82,638	-	-	-
NTDCC	17,160	-	17,160	-	-	-
BLC	50,522	-	50,522	-	-	-
	168,122	-	168,122	-	-	-
<b>Other related parties:</b>						
Columbus	888,810	-	888,810	988,808	-	988,808
Ayala International North America (AINA)	196,825	-	196,825	-	-	-
FBDC	271,096	-	271,096	-	-	-
Globe Telecom	44,267	-	44,267	-	-	-
Ayala Life FGU	-	-	-	62	-	62
AG Counselors Corp.	1,835	-	1,835	-	-	-
BPI	12,292	-	12,292	31,176	9,233	40,409
CPVDC	58,571	-	58,571	-	-	-
Manila Water Company, Inc. (MWC)	-	-	-	-	32	32
Others	18,312	-	18,312	68	27	95
	1,492,008	-	1,492,008	1,020,114	9,292	1,029,406
	₱1,750,055	₱-	₱1,750,055	₱1,049,592	₱9,292	₱1,058,884

c. Income and expenses from related parties follow:

Revenue from related parties:

	2012	2011	2010
<b>Parent Company</b>			
AC	₱2,434	₱35,489	₱25,420
<b>Jointly Controlled Entities</b>			
BGW	177,436	-	-
BGS	223	-	-
	177,659	-	-
<b>Associates</b>			
ACC	171,114	-	19,293
NTDCC	82,489	7,675	8,497
LDC	9,295	-	-
CHI	5,140	16,548	60,650
	268,038	24,223	88,440

(Forward)



	2012	2011	2010
<b>Other Related Parties</b>			
Manila Water Company, Inc.	₱278,097	₱1,851,582	₱699,085
Globe Telecom, Inc.	61,463	67,071	7,813
BPI	17,887	15,168	9,447
HR Mall, Inc.	9,516	–	–
CIHCI	7,964	–	7,585
IMI	7,463	7,632	8,418
Lamcor	679	650	–
Ayala Life FGU	237	–	–
Innove Communications, Inc.	221	210	1,732
MD Distripark	115	132	–
Cebu Leisure Company, Inc.	65	–	130
Manila Jockey Club, Inc.	45	–	–
CPVDC	–	–	9,759
	383,752	1,942,445	743,969
	₱831,883	₱2,002,157	₱857,829

Expenses from related parties:

	2012	2011	2010
<b>Parent Company</b>			
AC	₱40	₱–	₱–
<b>Associates</b>			
ACC	37,408	9,002	–
CHI	33,753	4,700	–
NTDCC	25,966	25,567	–
LDC	–	1,817	64
	97,127	41,086	64
<b>Other Related Parties</b>			
Manila Water Company, Inc.	109,284	8,847	9,433
Globe Telecom, Inc.	42,911	13,033	11,588
FBDC	16,959	6,768	–
Innove Communications, Inc.	14,950	6,892	8,035
BPI	10,701	15,817	–
Cebu Leisure Company, Inc.	6,754	6,828	–
BPI/MS Insurance Corp.	4,501	–	–
CPVDC	3,831	2,839	–
Isuzu Alabang	1,669	1,840	–
HR Mall, Inc.	68	–	–
Ayala Foundation	4	–	–
Honda Cars Makati	–	10	813
Honda Global City	–	2,113	–
	211,632	64,987	29,869
	₱308,799	₱106,073	₱29,933

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, 2012 and 2011:

Parent Company:

- The Company made interest-bearing advances to AINA, an AC subsidiary, for AINA's project in Northern California with outstanding balance of ₱196.9 million in 2011 and ₱184.7 million in 2012.

Affiliates:

- Amounts owed from CHI represents management fee of the Company for CHI's Cebu Business Park & Amara projects in Cebu; and systems cost & various advances made by the Company for CHI which consists of advances and interest due from CHI's subsidiary to the Company's subsidiary (Ayala Hotels, Inc.).
- Amount owed to CHI comprises substantially of the share of CHI's subsidiary, in the collections from joint development project with the Company's subsidiary (AiO).
- 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.
- 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.
- Receivable from FBDC largely 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 Avida, advanced ₱6.1 million representing CPVDC's share in expenses for the Garden Village project, a joint development project between CPVDC and Avida. CPVDC, on the other hand, has advanced ₱268.3 Million for the cost of the lots acquired for joint development projects with the Company's subsidiaries - Avida and AIO.
- 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.
- Revenue from Globe pertains to development management fee which is included under "other income".



Compensation of key management personnel by benefit type follows:

	2012	2011	2010
	(In Thousands)		
Short-term employee benefits	<b>₱158,514</b>	₱151,381	₱157,934
Post-employment benefits (Note 26)	<b>1,325</b>	3,183	23,061
Share-based payments (Note 28)	<b>46,474</b>	13,301	20,850
	<b>₱206,313</b>	₱167,865	₱201,845

## 26. Retirement Plan

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Group's annual contributions to their respective plans consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follow:

	2012	2011	2010
	(In Thousands)		
Current service cost	<b>₱192,918</b>	₱293,419	₱134,199
Interest cost on benefit obligation	<b>127,936</b>	128,006	120,538
Expected return on plan assets	<b>(182,951)</b>	(206,309)	(109,972)
Amortization of actuarial losses (gains)	<b>718</b>	(23,671)	36,186
Past service cost	<b>2,777</b>	3,355	2,777
Total pension expense	<b>₱141,398</b>	₱194,800	₱183,728
Actual return on plan assets	<b>₱294,182</b>	₱153,487	₱324,916

The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31, 2012 and 2011 follow:

	2012	2011
	(In Thousands)	
Benefit obligations	<b>₱2,629,085</b>	₱1,987,763
Plan assets	<b>(2,155,554)</b>	(1,811,967)
	<b>473,531</b>	175,796
Unrecognized net actuarial losses	<b>(454,743)</b>	(157,865)
Unrecognized past service cost	<b>(19,116)</b>	(21,893)
Asset recognized in the consolidated statement of financial position	<b>(₱328)</b>	(₱3,962)

As of December 31, 2012 and 2011, pension assets (included under "other noncurrent assets") amounted to ₱53.3 million and ₱76.2 million, respectively, and pension liabilities amounted to ₱52.9 million and ₱72.2 million, respectively.



Changes in the present value of the defined benefit obligation follow:

	2012	2011	2010
		(In Thousands)	
Balance at January 1	<b>₱1,987,763</b>	₱1,707,890	₱1,384,799
Interest cost	<b>127,936</b>	128,006	120,538
Current service cost	<b>192,918</b>	293,419	134,199
Curtailements	-	(7,209)	-
Settlements	-	(13,279)	(2,118)
Transfer of employees	-	158	-
Benefits paid	<b>(71,906)</b>	(189,818)	(59,692)
Actuarial losses	<b>392,374</b>	68,596	130,164
<b>Balance at December 31</b>	<b>₱2,629,085</b>	₱1,987,763	₱1,707,890

Changes in the fair value of plan assets follow:

	2012	2011	2010
		(In Thousands)	
Balance at January 1	<b>₱1,811,967</b>	₱1,615,477	₱1,212,764
Expected return	<b>182,951</b>	206,309	109,972
Contributions	<b>121,311</b>	173,900	183,359
Settlements	-	-	(2,118)
Benefits paid	<b>(71,906)</b>	(130,896)	(59,692)
Actuarial gains (losses)	<b>111,231</b>	(52,823)	171,192
<b>Balance at December 31</b>	<b>₱2,155,554</b>	₱1,811,967	₱1,615,477

The Group's fund is in the form of a trust being maintained by trustee banks such as BPI Asset Management and Trust Group and Deutsche Bank. The investing decisions of the plan are made by certain officers of the Group duly authorized by the Board.

As of December 31, 2012, the carrying value of the plan assets amounted to ₱2,111.6 million.

The Group expects to make contributions of ₱247.1 million to its retirement fund in 2013.

The allocations of the fair value of plan assets follow:

	2012	2011	2010
Investments in debt securities	<b>56.58%</b>	60.32%	58.70%
Investments in equity securities	<b>42.00%</b>	22.55%	36.30%
Others	<b>1.42%</b>	17.13%	5.00%

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.



As of December 31, 2012 and 2011, the funds include investment in securities to its related parties. Details of the investment per type of security are as follows:

**2012**

	Carrying Value	Fair Value	Unrealized Gains (Losses)
		(In Thousands)	
Investments in debt securities	₱100,504	₱100,411	(₱93)
Investments in equity securities	38,900	39,679	779
Others	4,168	4,169	1
	<b>₱143,572</b>	<b>₱144,259</b>	<b>₱687</b>

**2011**

	Carrying Value	Fair Value	Unrealized Gains (Losses)
		(In Thousands)	
Investments in debt securities	₱31,306	₱26,787	(₱4,519)
Investments in equity securities	28,000	29,090	1,090
	<b>₱59,306</b>	<b>₱55,877</b>	<b>₱(3,429)</b>

The plan assets include shares of stock of the Company with fair value amounting to ₱34.7 million and ₱12.4 million as of December 31, 2012 and 2011 respectively. The Company gives the trustee bank the discretion to exercise voting rights over the shares. In 2012, the gains or losses of the fund arising from investments in debt and equity securities of the Company amounted to ₱5.4 million and ₱0.3 million, respectively.

The plan assets include debt securities of the Company amounting to ₱5.05 million and nil as of December 31, 2012 and 2011, respectively.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The assumptions used to determine pension benefits for the Group are as follows:

	2012	2011	2010
Discount rate	5.8 to 7.0%	5.8 to 8.0%	8.0 to 10.0%
Salary increase rate	6.0 to 8.0%	1.0 to 8.0%	1.0 to 9.0%
Expected rate of return on plan assets	5.0 to 10.5%	3.7 to 10.0%	4.0 to 9.0%

Amounts for the current and the previous periods follow:

	2012	2011	2010	2009	2008
	(In Thousands)				
Defined benefit obligation	₱2,629,085	₱1,987,763	₱1,707,890	₱1,384,799	₱1,277,155
Plan assets	(2,155,554)	(1,811,967)	(1,615,477)	(1,212,764)	(1,057,896)
Deficit	<b>₱473,531</b>	₱175,796	₱92,413	₱172,035	₱219,259



Amounts of experience adjustment losses (gains) for the current and the previous periods follow:

	2012	2011	2010	2009
		(In Thousands)		
Liabilities	<b>(₱2,019)</b>	(₱31,779)	(₱132,522)	(₱295,911)
Assets	<b>121,206</b>	61,881	220,012	14,255

## 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:

	2012	2011	2010
		(In Thousands)	
Net income attributable to equity holders of the Company	<b>₱9,038,328</b>	₱7,140,308	₱5,458,134
Less dividends on preferred stock	<b>45,696</b>	60,481	60,481
Net income attributable to equity holders for basic and diluted earnings per share	<b>₱8,992,632</b>	₱7,079,827	₱5,397,653
Weighted average number of common shares for basic EPS	<b>13,301,128</b>	12,938,672	13,016,525
Dilutive shares arising from stock options	<b>26,858</b>	14,650	22,069
Adjusted weighted average number of common shares for diluted EPS	<b>13,327,986</b>	12,953,322	13,038,594
Basic EPS	<b>₱0.65</b>	₱0.55	₱0.41
Diluted EPS	<b>₱0.68</b>	₱0.55	₱0.41

In 2012, the convertible preferred shares are ignored in the calculation of diluted EPS since the convertibility of the preferred shares will start on the 10<sup>th</sup> year from the issue date.

In 2011 and 2010, the convertible preferred shares are ignored in the calculation of diluted EPS since these are antidilutive.

## 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**

	2012	Weighted average exercise price	2011	Weighted average exercise price
At January 1	14,013,031	₱4.34	17,449,397	4.26
Exercised	(4,776,273)	4.47	(2,087,014)	3.80
Cancelled	(2,812,690)		(1,349,352)	
At December 31	<b>6,424,068</b>	<b>₱4.23</b>	14,013,031	4.34

**PFRS 2 Options**

	2012	Weighted average exercise price	2011	Weighted average exercise price
At January 1	12,886,159	₱4.34	14,025,648	4.26
Exercised	(1,846,493)	4.47	(1,139,489)	3.80
At December 31	<b>11,039,666</b>	<b>₱4.23</b>	12,886,159	4.34

The options exercised had a weighted average exercise price of ₱4.47 per share or ₱29.6 million in 2012 and ₱3.80 per share or ₱12.3 million in 2011. The average fair market value of the shares at the exercise date was ₱21.98 per share or about ₱145.5 million in 2012 and ₱15.50 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 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. In computing for the stock option value for the 2012 grant, the Company assumed 33%, 0% and 5.7% as the volatility, dividend yield and interest rate, respectively.

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:

	2012	WAEP	2011	WAEP
At January 1	30,873,518	₱9.52	27,412,217	₱8.67
Granted	23,032,967		19,670,333	
Subscribed	(25,669,757)	13.41	(14,817,990)	13.63
Cancelled	—		(1,391,042)	
At December 31	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 13, 2012	March 31, 2011	March 31, 2010	April 30, 2009
Number of unsubscribed shares	3,967,302	3,843,057	2,298,247	5,418,619
Fair value of each option	₱6.23	₱7.27	₱8.88	₱4.05
Weighted average share price	₱21.98	₱15.5	₱13.00	₱6.40
Exercise price	₱14.69	₱13.2	₱9.74	₱4.96
Expected volatility	33.00%	36.25%	43.57%	37.45%
Dividend yield	0.9%	1.01%	0.48%	0.85%
Interest rate	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 recognized in 2012, 2011 and 2010 in the consolidated statements of income arising from share-based payments amounted to ₱248.4 million, ₱178.8 million and ₱177.2 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, 2012 and 2011:

	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
<b>Financial Assets at FVPL</b>	<b>₱713,716</b>	<b>₱713,716</b>	<b>₱-</b>	<b>₱-</b>
<b>Loans and Receivables</b>				
Cash and cash equivalents	28,596,398	28,596,398	24,603,213	24,603,213
Short-term investments	16,503	16,503	191,987	191,987
Accounts and notes receivable:				
Trade:				
Residential development	20,601,902	20,787,665	14,535,693	15,203,042
Construction contracts	2,506,941	2,506,941	1,871,553	1,871,553
Corporate business	1,381,547	1,381,547	580,197	580,197
Shopping centers	1,200,071	1,200,071	945,184	945,184
Management fees	87,693	87,693	47,267	47,267
Others	1,483,669	1,483,669	694,367	694,367
Advances to other companies	5,954,121	5,954,121	2,451,105	2,520,009
Accrued receivable	2,315,729	2,315,729	1,597,219	1,597,219
Related parties	1,645,170	1,645,170	1,750,055	1,750,055
Receivable from employees	313,036	313,361	431,515	432,308
Investment in bonds classified as loans and receivables	1,000,000	1,040,801	200,000	214,518
<b>Total loans and receivables</b>	<b>67,816,496</b>	<b>68,043,385</b>	<b>49,899,355</b>	<b>50,650,919</b>
<b>AFS financial assets</b>				
Unquoted	216,655	216,655	253,800	253,800
Quoted	237,615	237,615	456,642	456,642
<b>Total AFS financial assets</b>	<b>454,270</b>	<b>454,270</b>	<b>710,442</b>	<b>710,442</b>
<b>Total financial assets</b>	<b>₱68,270,766</b>	<b>₱68,497,655</b>	<b>₱50,609,797</b>	<b>₱51,361,361</b>



	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(In Thousands)			
<b>Other Financial Liabilities</b>				
Current:				
Accounts payable	<b>₱28,557,849</b>	<b>₱28,557,849</b>	₱21,674,756	₱21,674,756
Accrued project costs	<b>10,810,152</b>	<b>10,810,152</b>	7,458,627	7,458,627
Accrued expenses	<b>3,632,810</b>	<b>3,632,810</b>	2,402,085	2,402,085
Payable to related parties	<b>2,354,642</b>	<b>2,354,642</b>	1,049,592	1,049,592
Retentions payable	<b>1,055,802</b>	<b>1,055,802</b>	218,979	218,979
Interest payable	<b>864,300</b>	<b>864,300</b>	478,852	478,852
Accrued salaries and employee				
Benefits	<b>521,824</b>	<b>521,824</b>	341,491	341,491
Accrued rentals	<b>334,334</b>	<b>334,334</b>	275,066	275,066
Dividends payable	<b>8,153</b>	<b>8,153</b>	7,113	7,113
Short-term debt	<b>9,282,831</b>	<b>9,282,831</b>	4,638,844	4,638,844
Current portion of long-term debt	<b>6,386,834</b>	<b>6,386,834</b>	1,556,761	1,556,761
Noncurrent:				
Long-term debt	<b>53,780,786</b>	<b>54,916,354</b>	28,257,971	29,496,949
Deposits and other noncurrent				
Liabilities	<b>12,882,255</b>	<b>12,850,356</b>	7,795,785	7,805,949
<b>Total other financial liabilities</b>	<b>₱130,472,572</b>	<b>₱131,576,241</b>	₱76,155,922	₱77,405,064

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 quoted prices and 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, 2012 and 2011.

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 1.80% to 7.18% and 2.88% to 7.60% as of December 31, 2012 and 2011, 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, 2012, 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

Financial assets at FVPL amounting to ₱713.7 million and nil in 2012 and 2011, respectively and quoted AFS financial assets amounting to ₱204.3 million in 2012 and ₱456.6 million in 2011 were classified under Level 1 in 2012 and 2011. There are no financial assets and liabilities which have been classified under the Level 2 or 3 category.

There have been no reclassifications from Level 1 to Level 2 categories in 2012 and 2011. Transfers into Level 3 category amounted to ₱713.7 million in 2012.

### 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 2012.

### *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, 2012 and 2011 based on contractual undiscounted payments:

**2012**

	< 1 year	>1 to < 5 years	> 5 years	Total
	(In Thousands)			
Accounts and other payables	₱47,272,762	₱-	₱-	₱47,272,762
Short-term debt	9,282,831	-	-	9,282,831
Long-term debt	6,386,834	20,764,005	33,218,917	60,369,756
Deposits and other noncurrent liabilities	-	12,867,857	14,398	12,882,255
	<b>₱62,942,427</b>	<b>₱33,631,862</b>	<b>₱33,233,315</b>	<b>₱129,807,604</b>
Interest payable	<b>₱2,386,227</b>	<b>₱10,836,781</b>	<b>₱3,430,127</b>	<b>₱16,653,135</b>

**2011**

	< 1 year	>1 to < 5 years	> 5 years	Total
	(In Thousands)			
Accounts and other payables	₱33,427,710	₱-	₱-	₱33,427,710
Short-term debt	4,638,844	-	-	4,638,844
Long-term debt	1,556,761	22,406,001	5,929,165	29,891,927
Deposits and other noncurrent liabilities	-	7,769,403	26,382	7,795,785
	<b>₱39,623,315</b>	<b>₱30,175,404</b>	<b>₱5,955,547</b>	<b>₱75,754,266</b>
Interest payable	<b>₱1,350,500</b>	<b>₱5,055,533</b>	<b>₱1,545,783</b>	<b>₱7,951,816</b>

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, 2012 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.



*Credit risk*

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 post dated 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, 2012 and 2011 is equal to the carrying values of its financial assets, except for the following:

**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	₱20,601,902	₱38,243,858	₱-	₱20,601,902
Shopping center	1,200,071	1,965,605	-	1,200,071
Corporate business	1,381,547	1,616,725	-	1,381,547
Receivables from employees	313,036	597,614	-	313,036
	<b>₱23,496,556</b>	<b>₱42,423,802</b>	<b>₱-</b>	<b>₱23,496,556</b>



2011

	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	₱14,535,693	₱22,559,145	₱-	₱14,535,693
Shopping center	945,184	1,558,644	-	945,184
Corporate business	580,197	768,496	-	580,197
Receivables from employees	431,515	617,431	-	431,515
	₱16,492,589	₱25,503,716	₱-	₱16,492,589

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.



As of December 31, 2012 and 2011, the aging analysis of past due but not impaired trade receivables presented per class, follow:

**2012**

	Neither Past Due nor Impaired	Past Due but not Impaired					Total	Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days			
(In Thousands)									
Trade:									
Residential development	₱19,478,074	₱453,167	₱197,412	₱145,845	₱92,250	₱248,709	₱1,137,383	₱9,555	₱20,625,012
Construction contracts	1,810,791	255,816	241,648	162,137	16,045	20,504	696,150	18,781	2,525,722
Corporate business	1,261,072	3,552	17,720	6,077	16,342	77,380	121,071	9,428	1,391,571
Shopping centers	706,406	74,644	91,281	27,844	14,281	317,735	525,785	117,877	1,350,068
Management fees	71,537	—	6,833	3,420	2,444	4,626	17,323	2,048	90,908
Others	1,480,231	1,346	80	—	—	2,012	3,438	47,093	1,530,762
Advances to other companies	5,431,590	54,580	47,904	34,398	9,521	376,128	522,531	56,003	6,010,124
Accrued receivable	2,314,692	178	54	714	—	91	1,037	—	2,315,729
Related parties	1,353,676	3,087	5,058	4,574	8,072	270,703	291,494	—	1,645,170
Receivables from employees	276,045	25,251	439	563	524	10,214	36,991	—	313,036
Investment in bonds classified as loans and receivables	1,000,000	—	—	—	—	—	—	—	1,000,000
	<b>₱35,184,114</b>	<b>₱871,621</b>	<b>₱608,429</b>	<b>₱385,572</b>	<b>₱159,479</b>	<b>₱1,328,102</b>	<b>₱3,353,203</b>	<b>₱260,785</b>	<b>₱38,798,102</b>

**2011**

	Neither Past Due nor Impaired	Past Due but not Impaired					Total	Individually Impaired	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days			
(In Thousands)									
Trade:									
Residential development	₱13,337,616	₱360,022	₱258,231	₱130,057	₱98,938	₱339,126	₱1,186,374	₱34,813	₱14,558,803
Construction contracts	1,315,179	109,201	97,646	48,654	36,171	264,702	556,374	5,927	1,877,480
Corporate business	280,665	137,432	42,571	53,278	11,197	55,055	299,533	12,210	592,408
Shopping centers	501,529	105,576	57,028	49,472	27,689	185,284	425,049	174,475	1,101,053
Management fees	16,554	—	6,022	1,628	5,106	17,957	30,713	3,215	50,482
Others	667,264	5,985	4,673	2,351	8,729	5,366	27,104	47,091	741,459
Advances to other companies	2,389,947	15,446	18,210	8,056	14,712	10,145	66,569	51,318	2,507,834
Accrued receivable	1,564,789	—	—	—	—	32,430	32,430	—	1,597,219
Related parties	1,678,753	301	112	72	2,359	68,458	71,302	—	1,750,055
Receivables from employees	399,283	18,894	2,940	558	968	8,872	32,232	—	431,515
Investment in bonds classified as loans and receivables	200,000	—	—	—	—	—	—	—	200,000
	<b>₱22,351,579</b>	<b>₱752,857</b>	<b>₱487,433</b>	<b>₱294,126</b>	<b>₱205,869</b>	<b>₱987,395</b>	<b>₱2,727,680</b>	<b>₱329,049</b>	<b>₱25,408,308</b>





The table below shows the credit quality of the Company's financial assets as of December 31, 2012 and 2011:

**2012**

	Neither Past Due nor Impaired				Total	Past Due but not Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Unrated				
	(In Thousands)							
Cash and cash equivalents	₱28,596,398	₱-	₱-	₱-	₱28,596,398	₱-	₱-	₱28,596,398
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	17,468,022	996,808	1,013,244	-	19,478,074	1,137,383	9,555	20,625,012
Construction contracts	1,810,791	-	-	-	1,810,791	696,150	18,781	2,525,722
Corporate business	1,229,088	23,802	8,182	-	1,261,072	121,071	9,428	1,391,571
Shopping centers	642,556	28,845	35,005	-	706,406	525,785	117,877	1,350,068
Management fees	56,255	8,205	7,077	-	71,537	17,323	2,048	90,908
Others	1,480,070	161	-	-	1,480,231	3,438	47,093	1,530,762
Advances to other companies	5,293,653	2,703	135,234	-	5,431,590	522,531	56,003	6,010,124
Accrued receivable	2,314,692	-	-	-	2,314,692	1,037	-	2,315,729
Related parties	1,323,088	6,391	24,197	-	1,353,676	291,494	-	1,645,170
Receivable from employees	190,700	-	85,345	-	276,045	36,991	-	313,036
Investment in bonds classified as loans and receivables	1,000,000	-	-	-	1,000,000	-	-	1,000,000
AFS financial assets:								
Unquoted	-	-	-	216,655	216,655	-	-	216,655
Quoted	237,615	-	-	-	237,615	-	-	237,615
	<b>₱62,373,147</b>	<b>₱1,066,915</b>	<b>₱1,308,284</b>	<b>₱216,655</b>	<b>₱64,965,001</b>	<b>₱3,353,203</b>	<b>₱260,785</b>	<b>₱68,578,989</b>



2011

	Neither Past Due nor Impaired				Total	Past Due but not Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Unrated				
	(In Thousands)							
Cash and cash equivalents	₱24,603,213	₱-	₱-	₱-	₱24,603,213	₱-	₱-	₱24,603,213
Short-term investments	191,987	-	-	-	191,987	-	-	191,987
Accounts and notes receivables:								
Trade:								
Residential development	11,210,707	1,317,086	809,823	-	13,337,616	1,186,374	34,813	14,558,803
Construction contracts	1,315,179	-	-	-	1,315,179	556,374	5,927	1,877,480
Corporate business	264,705	15,918	42	-	280,665	299,533	12,210	592,408
Shopping centers	365,694	130,150	5,685	-	501,529	425,049	174,475	1,101,053
Management fees	11,064	-	5,490	-	16,554	30,713	3,215	50,482
Others	667,264	-	-	-	667,264	27,104	47,091	741,459
Advances to other companies	2,107,029	3,755	279,163	-	2,389,947	66,569	51,318	2,507,834
Accrued receivable	1,564,546	-	243	-	1,564,789	32,430	-	1,597,219
Related parties	1,159,769	-	518,984	-	1,678,753	71,302	-	1,750,055
Receivable from employees	209,097	-	190,186	-	399,283	32,232	-	431,515
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	456,642	-	-	-	456,642	-	-	456,642
	₱44,326,896	₱1,466,909	₱1,809,616	₱253,800	₱47,857,221	₱2,727,680	₱329,049	₱50,913,950



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*

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 57:43 and 62:38 as of December 31, 2012 and 2011, 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, 2012 and 2011, 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):

**2012**

	<b>Effect on income before income tax</b>	
	<b>Increase (decrease)</b>	
<u>Change in basis points</u>	<u>+ 100 basis points</u>	<u>- 100 basis points</u>
	(In Thousands)	
Floating rate borrowings	<b>(₱297,888)</b>	<b>₱297,888</b>

	<b>Effect on equity</b>	
	<b>Increase (decrease)</b>	
<u>Change in basis points</u>	<u>+ 100 basis points</u>	<u>- 100 basis points</u>
	(In Thousands)	
AFS financial assets	<b>(₱1,663)</b>	<b>₱1,663</b>

**2011**

	<b>Effect on income before income tax</b>	
	<b>Increase (decrease)</b>	
<u>Change in basis points</u>	<u>+ 100 basis points</u>	<u>- 100 basis points</u>
	(In Thousands)	
Floating rate borrowings	<b>(₱129,987)</b>	<b>₱129,987</b>



Change in basis points	Effect on equity Increase (decrease)	
	+ 100 basis points	- 100 basis points
	(In Thousands)	
AFS financial assets	(₱3,196)	₱3,196

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):

**2012**

<b>Group</b>	<b>Interest terms (p.a.)</b>	<b>Rate Fixing Period</b>	<b>Nominal Amount</b>	<b>&lt; 1 year</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Carrying Value</b>
<b>Group</b>							
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	₱28,545,383	₱28,545,383	₱-	₱-	₱28,545,383
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
			₱41,276,695	₱33,401,814	₱6,478,728	₱1,147,356	₱41,027,898
<b>Company</b>							
Short-term debt - US Dollar	Variable at prevailing market rates	Monthly	₱1,849,964	₱1,849,964	₱-	₱-	₱1,849,964
Short-term debt – Peso	Variable at prevailing market rates	Monthly	850,000	850,000	-	-	850,000
Long-term debt							
<i>Fixed</i>							
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
<i>Floating</i>							
USD	Variable at prevailing market rates	6 years	2,402,862	-	-	2,402,862	2,402,862
Peso	Variable at prevailing market rates	10.25 years	4,500,000	-	1,000,000	3,500,000	4,500,000
<b>Subsidiaries</b>							
<b>Short-term debt</b>							
Peso	Variable at prevailing market rates	Monthly, quarterly	6,547,000	6,547,000	-	-	6,547,000
US Dollar	Variable at prevailing market rates	Monthly, quarterly	35,868	35,868	-	-	35,868
<b>Long-term debt</b>							
<i>Fixed</i>							
Peso	Fixed at 4.50% to 10.211%	5 to 7 years	6,160,468	712,341	4,033,887	1,407,725	6,153,953
<i>Floating</i>							
Peso	Variable at 0.50% to 1.125% over 91-day PDST-R1/R2	Quarterly	9,475,540	848,813	6,076,797	2,549,930	9,475,540
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
			₱69,652,587	₱15,669,666	₱20,569,719	₱33,211,066	₱69,450,451



2011

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
<b>Group</b>							
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	₱24,568,957	₱24,568,957	₱-	₱-	₱24,568,957
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	191,987	191,987	-	-	191,987
Financial assets at FVPL	Fixed at the date of investment or revaluation cut-off	5 years	-	-	-	-	-
AFS financial assets	Fixed at the date of investment or revaluation cut-off	Various	216,933	-	216,933	-	216,933
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
			₱38,968,048	₱29,739,758	₱6,147,377	₱351,585	₱36,238,720
<b>Company</b>							
Short-term debt - US Dollar	Variable at prevailing market rates	Monthly	₱1,471,538	₱1,471,538	₱-	₱-	₱1,471,538
Long-term debt							
<i>Fixed</i>							
Peso	Fixed at 7.375% to 7.75%	7 and 10 years	295,000	-	295,000	-	295,000
Peso	Fixed at 7.76% 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
<i>Floating</i>							
Peso	Variable at prevailing market rates	7 years	1,000,000	-	1,000,000	-	1,000,000
<b>Subsidiaries</b>							
Short-term debt							
Peso	Variable at prevailing market rates	Monthly, quarterly	3,129,000	3,129,000	-	-	3,129,000
US Dollar	Variable at prevailing market rates	Monthly, quarterly	38,306	38,306	-	-	38,306
Long-term debt							
<i>Fixed</i>							
Peso	Fixed at 4.50% to 9.72%	5 to 7 years	3,940,019	821,261	3,109,533	9,225	3,940,019
<i>Floating</i>							
Peso	Variable at 0.50% to 2.00% over 91-day PDST-R1/R2	Quarterly	7,118,783	410,110	6,279,533	429,140	7,118,783
US Dollar	Variable at 1.30% over 3-month LIBOR	Quarterly	241,120	-	241,120	-	241,120
			₱34,530,771	₱6,195,605	₱22,348,974	₱5,908,997	₱34,453,576



*Foreign currency risk*

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, 2012 and 2011:

	2012		2011	
	US Dollar	Php Equivalent	US Dollar	Php Equivalent
(In Thousands)				
<b>Financial Assets</b>				
Cash and cash equivalents	\$29,788	₱1,222,797	\$24,511	₱1,074,565
Short-term investments	-	-	2,199	96,415
Financial Assets at FVPL	16,990	697,455	-	-
Accounts and notes receivable - net	17,550	720,428	4,472	196,045
Total	64,328	2,640,680	31,182	1,367,025
<b>Financial Liabilities</b>				
Accounts and other payables	24,825	1,019,066	1,008	44,178
Short-term debt	45,940	1,885,831	34,440	1,509,844
Long-term debt	159,084	6,530,412	7,670	336,253
Other noncurrent liabilities	744	30,541	978	42,877
Total	230,593	9,465,850	44,096	1,933,152
Net foreign currency denominated financial instruments	(\$166,265)	(₱6,825,170)	(\$12,914)	(₱566,127)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱41.05 to US\$1.00, ₱43.84 to US\$1.00 and ₱43.84 to US\$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2012, 2011 and 2010, 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.

Change in exchange rate	Effect on profit before tax Increase (decrease)	
	2012	2011
	(In Thousands)	
₱1.00	(₱166,265)	(₱12,914)
(₱1.00)	166,265	12,914

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).

Change in PSEi index	Effect on equity Increase (decrease)	
	2012	2011
	(In Thousands)	
+5%	₱1,217	₱622
-5%	(1,217)	(622)

### 30. Segment Information

The industry segments where the Group and its associates and joint ventures operate follow:

- 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
- 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 business - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- 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
- Property management - facilities management of the Group and third-party projects
- Others - other income from investment activities and sale of non-core assets.

In 2010, the Visayas-Mindanao business segment was combined with Strategic Landbank Management.

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).

**2012**

	Residential Development	Shopping Centers	Corporate Businesses	Hotels and Resorts	Strategic Landbank Management and Visayas- Mindanao	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
<b>Revenue</b>										
Sales to external customers	₱27,760	₱5,847	₱2,731	₱2,452	₱5,471	₱4,356	₱1,287	₱-	₱-	₱49,904
Intersegments sales	976	462	-	-	186	14,888	248	340	(17,100)	-
Equity in net earnings of associates and jointly controlled entities	200	337	-	-	765	-	-	32	-	1,334
<b>Total revenue</b>	<b>28,936</b>	<b>6,646</b>	<b>2,731</b>	<b>2,452</b>	<b>6,422</b>	<b>19,244</b>	<b>1,535</b>	<b>372</b>	<b>(17,100)</b>	<b>51,238</b>
Operating expenses	21,834	3,327	1,329	1,928	4,087	17,927	1,315	1,333	(15,198)	37,882
<b>Operating profit</b>	<b>7,102</b>	<b>3,319</b>	<b>1,402</b>	<b>524</b>	<b>2,335</b>	<b>1,317</b>	<b>220</b>	<b>(961)</b>	<b>(1,902)</b>	<b>13,356</b>
Interest and investment income										2,725
Interest and other financing charges										(3,051)
Other income										561
Other charges										(365)
Provision for income tax										(2,892)
<b>Net income</b>										<b>₱10,334</b>
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱9,038
Non-controlling interests										1,296
										<b>₱10,334</b>
<b>Other Information</b>										
Segment assets	₱117,256	₱36,251	₱25,321	₱18,596	₱36,702	₱20,886	₱2,196	₱33,677	(₱75,094)	₱215,791
Investment in associates and jointly controlled entities	733	2,110	-	-	9,614	-	-	694	-	13,151
Deferred tax assets	117,989	38,361	25,321	18,596	46,316	20,886	2,196	34,371	(75,094)	228,942
	165	14	65	57	229	14	13	1,002	731	2,290
<b>Total assets</b>	<b>₱118,154</b>	<b>₱38,375</b>	<b>₱25,386</b>	<b>₱18,653</b>	<b>₱46,545</b>	<b>₱20,900</b>	<b>₱2,209</b>	<b>₱35,373</b>	<b>(₱74,363)</b>	<b>₱231,232</b>
Segment liabilities	₱43,538	₱16,805	₱9,340	₱11,069	₱3,704	₱18,632	₱1,240	₱54,829	(₱20,188)	₱138,969
Deferred tax liabilities	300	-	42	430	19	-	-	-	(73)	718
<b>Total liabilities</b>	<b>₱43,838</b>	<b>₱16,805</b>	<b>₱9,382</b>	<b>₱11,499</b>	<b>₱3,723</b>	<b>₱18,632</b>	<b>₱1,240</b>	<b>₱54,829</b>	<b>(₱20,261)</b>	<b>₱139,687</b>
Segment additions to:										
Property and equipment	₱933	₱1,028	₱2	₱1,358	₱129	₱3,221	₱1,011	₱27	₱-	₱7,489
Investment properties	-	3,172	3,336	-	748	-	-	-	-	7,256
Depreciation and amortization	₱267	₱629	₱570	₱312	₱11	₱137	₱52	₱112	₱-	₱2,090
Non-cash expenses other than depreciation and amortization	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-
Impairment losses	₱-	₱59	₱-	₱-	₱-	₱13	₱-	₱143	₱-	₱215



2011

	Residential Development	Shopping Centers	Corporate Businesses	Hotels and Resorts	Strategic Landbank Management and Visayas- Mindanao	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
<b>Revenue</b>										
Sales to external customers	₱22,149	₱4,965	₱2,550	₱2,244	₱3,060	₱5,151	₱1,112	₱-	₱-	₱41,231
Intersegments sales	367	459	-		100	8,620	209	-	(9,755)	-
Equity in net earnings of associates and jointly controlled entities	(3)	291	-		580	-	-	30	-	898
<b>Total revenue</b>	22,513	5,715	2,550	2,244	3,740	13,771	1,321	30	(9,755)	42,129
Operating expenses	16,928	3,028	1,295	1,568	2,218	13,052	1,130	1,446	(9,244)	31,421
<b>Operating profit</b>	5,585	2,687	1,255	676	1,522	719	191	(1,416)	(511)	10,708
Interest and investment income										1,659
Interest and other financing charges										(1,880)
Other income										417
Other charges										(195)
Provision for income tax										(2,619)
<b>Net income</b>										₱8,090
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱7,140
Non-controlling interests										950
										₱8,090
<b>Other Information</b>										
Segment assets	₱89,602	₱28,184	₱22,475	₱6,391	₱11,920	₱15,795	₱1,065	₱14,173	₱ (49,637)	₱139,968
Investment in associates and jointly controlled entities	448	2,011	-		8,686	-	-	1,481	-	12,626
	90,050	30,195	22,475	6,391	20,606	15,795	1,065	15,654	(49,637)	152,594
Deferred tax assets	110	8	32	13	253	14	12	1,378	128	1,948
<b>Total assets</b>	₱90,160	₱30,203	₱22,507	₱6,404	₱20,859	₱15,809	₱1,077	₱17,032	₱(49,509)	₱154,542
Segment liabilities	₱31,002	₱12,020	₱7,777	₱2,030	₱3,517	₱13,623	₱427	₱21,860	₱(10,436)	₱81,820
Deferred tax liabilities	274	-	19	-	4	-	-	437	(55)	679
<b>Total liabilities</b>	₱31,276	₱12,020	₱7,796	₱2,030	₱3,521	₱13,623	₱427	₱22,297	₱(10,491)	₱82,499
Segment additions to:										
Property and equipment	₱80	₱104	₱95	₱1,358	₱5	₱404	₱209	₱54	₱-	₱2,309
Investment properties	210	4,787	1,611	-	-	-	-	-	-	6,608
Depreciation and amortization	₱152	₱939	₱534	₱193	₱60	₱143	₱20	₱269	₱-	₱2,310
Non-cash expenses other than depreciation and amortization	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-
Impairment losses	₱6	₱2	₱-	₱-	₱-	₱-	₱-	₱45	₱-	₱53



2010

	Residential Development	Shopping Centers	Corporate Businesses	Hotels and Resorts	Strategic Landbank Management and Visayas-Mindanao	Construction	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
<b>Revenue</b>										
Sales to external customers	₱16,404	₱4,597	₱2,402	₱1,644	₱3,149	₱6,177	₱1,035	₱-	₱-	₱35,408
Intersegments sales	157	404	-	168	467	3,514	26	-	(4,736)	-
Equity in net earnings of associates and jointly controlled entities	-	250	-	-	620	-	-	36	-	906
<b>Total revenue</b>	16,561	5,251	2,402	1,812	4,236	9,691	1,061	36	(4,736)	36,314
Operating expenses	13,251	2,875	1,261	1,463	2,693	9,388	1,043	1,134	(4,972)	28,136
<b>Operating profit</b>	3,310	2,376	1,141	349	1,543	303	18	(1,098)	236	8,178
Interest and investment income										1,065
Interest and other financing charges										(1,539)
Other income										434
Other charges										(278)
Provision for income tax										(1,572)
<b>Net income</b>										₱6,288
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱5,458
Non-controlling interests										830
										₱6,288
<b>Other Information</b>										
Segment assets	₱75,887	₱22,785	₱24,119	₱4,933	₱10,378	₱8,546	₱1,396	₱40	(₱38,701)	₱109,383
Investment in associates and jointly controlled entities	-	2,119	501	-	8,226	-	-	-	-	10,846
Deferred tax assets	75,887	24,904	24,620	4,933	18,604	8,546	1,396	40	(38,701)	120,229
<b>Total assets</b>	₱75,887	₱24,904	₱24,620	₱4,933	₱18,604	₱8,546	₱1,396	₱40	(₱38,701)	₱122,302
Segment liabilities	₱24,436	₱8,930	₱6,879	₱778	₱3,001	₱6,984	₱420	₱13,121	(₱8,315)	₱56,234
Deferred tax liabilities										598
<b>Total liabilities</b>										₱56,832
Segment additions to:										
Property and equipment	₱211	₱61	₱9	₱353	₱2	₱-	₱371	₱139	₱-	₱1,146
Investment properties	-	1,664	1,246	-	-	-	-	-	-	2,910
Depreciation and amortization	₱95	₱638	₱454	₱128	₱277	₱-	₱154	₱62	₱-	₱1,808
Non-cash expenses other than depreciation and amortization	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-
Impairment losses	₱4	₱6	₱-	₱-	₱-	₱-	₱-	₱47	₱-	₱57



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### 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 Company 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.

Crestview, a wholly-owned subsidiary of Ayala Land Inc, was registered with PEZA last December 17, 2010 as an Ecozone Facilities Enterprise at the Ayala Northpoint Technohub located in Bacolod.

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### 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:

	2012	2011
		(In Thousands)
Within one year	<b>₱2,552,833</b>	₱2,210,918
After one year but not more than five years	<b>6,866,075</b>	5,560,887
More than five years	<b>1,037,174</b>	1,384,795
	<b>₱10,456,082</b>	₱9,156,600

#### 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:

	2012	2011
	(In Thousands)	
Within one year	<b>₱279,588</b>	₱128,971
After one year but not more than five years	<b>601,598</b>	496,304
More than five years	<b>1,691,857</b>	1,256,247
	<b>₱2,573,043</b>	₱1,881,522

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 another 25 years by mutual agreement. The rental commencement date will be on the date when the first paying customer registers sale in any of the outlets in the building.

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. For the years ended December 31, 2012 and 2011, the Company has not yet recognized lease expense for this agreement as the project is still in progress.

### 33. Interest in a Joint Venture

MDC has a 51% interest in Makati Development Corporation - First Balfour, Inc. Joint Venture (the Joint Venture), a jointly controlled operation whose purpose is to design and build St. Luke's Medical Center (the Project) in Fort Bonifacio Global City, Taguig.

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 2012 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, 2012 and 2011 which are included in the consolidated financial statements follow:

	2012	2011
	(In Thousands)	
Current assets:		
Cash and cash equivalents	<b>₱33,217</b>	₱24,622
Amounts due from customers for contract work	<b>10,582</b>	10,582
Other current assets	<b>55,317</b>	54,809
<b>Total assets</b>	<b>₱99,116</b>	₱90,013
<b>Total liabilities</b>	<b>₱49,330</b>	₱66,968



The following is the share of the MDC on the net income of the Joint Venture:

	2012	2011
	(In Thousands)	
Revenue from construction contracts	₱–	₱2,069
Contract costs	(994)	(9,687)
Interest and other income	1,175	2,490
Loss before income tax	181	(5,128)
Provision for income tax	(181)	(148)
Net loss	₱–	(₱5,276)

The Joint Venture's Management Board declared and paid cash dividends amounting to ₱185.3 million 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.

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#### 34. Long-term Commitments and Contingencies

##### Commitment

The Company and Manila Water Company (MWC) entered into a joint venture 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 2013.

The joint venture company has estimated project cost of ₱1.7 billion. During the past 2 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.

The Company has signed a 50-year 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.

On October 27, 2006, a subsidiary entered into a land lease agreement with a third party for a term of 25 years. The lease generally provides for a monthly rent based on a certain percentage of gross revenue.

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.



As part of the bid requirement, the Company procured a performance bond in 2003 from the Government Service Insurance System in favor of BCDA amounting to ₱3.9 billion to guarantee the committed capital to BCDA. Moreover, SSECC obtained standby letters of credit to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement.

MDC, in the normal course of business, furnishes performance bonds in connection with its construction projects. These bonds shall guarantee MDC's execution and completion of the work indicated in the respective construction contracts.

#### Development Commitment

On October 18, 2010, the Company undertook to cause the planning, developing and construction of Anvaya Cove Golf and Sports Club, Inc's leisure and recreational facilities. The Company shall ensure the development and construction by second half of the year 2013 for an estimated total development cost of ₱920.0 million.

#### *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.

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### **35. Note to Consolidated Statements of Cash Flows**

The noncash activities of the Group pertains to transfers from land and improvements to inventories amounting to ₱1,194.8 million, ₱1,364.5 million and ₱5,148.9 million in 2012, 2011 and 2010 respectively; transfers from investment properties to inventories amounting to ₱116.1 million in 2012; transfers from property and equipment to inventories amounting to ₱262.5 million in 2011; transfers from investment properties to property and equipment amounting to ₱96.1 million and ₱160.7 million in 2012 and 2011 respectively; transfers from property and equipment to other assets amounting to ₱764.4 million and ₱155.5 million in 2012 and 2011 respectively; transfers from investment properties to other assets amounting to ₱10.5 million in 2011; transfer from investments in associates and jointly controlled entities to financial assets at FVPL amounting to ₱713.7 million in 2012; other noncash items pertain to business combinations in 2012 and 2010 (see Note 24).

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### **36. Events After Reporting Date**

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 eliminated, from ₱22,803.5 million to ₱21,500.0 million, and
- b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

On February 19, 2013, the BOD declared cash dividends of ₱0.14787806 per outstanding share payable on March 19, 2013 amounting to ₱2,033.6 million to stockholders as of record date March 5, 2013.



On the same date, BOD declared annual cash dividends of 4.74786% per annum amounting to ₱62.0 million or ₱0.00474786 per share to all shareholders of the Company's outstanding unlisted voting preferred shares with record date of June 14, 2013 and payment date of July 1, 2013.







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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  
ON SUPPLEMENTARY SCHEDULES**

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and its subsidiaries as at December 31, 2012 and 2011 and for each of the three years in the period ended December 31, 2012, included in this Form 17-A, and have issued our report thereon dated February 19, 2013. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedules A to K listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

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. 3669666, January 2, 2013, Makati City

February 19, 2013



**AYALA LAND, INC. AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES**

*As of December 31, 2012*

<b>A</b>	Financial Assets
<b>B</b>	Accounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
<b>C</b>	Accounts Receivable from Related Parties which are eliminated during Consolidation of Financial Statements
<b>D</b>	Intangible Assets – Other Assets
<b>E</b>	Long-Term Debt
<b>F</b>	Indebtedness to Related Parties
<b>G</b>	Guarantee of Securities of Other Issuers
<b>H</b>	Capital Stock
<b>I</b>	Reconciliation of Retained Earnings Available for Dividend Declaration
<b>J</b>	Map of Relationships of the Companies within the Group
<b>K</b>	List of Applicable Standards and Interpretations
<b>L</b>	Financial Ratios

AYALA LAND, INC. AND SUBSIDIARIES  
SCHEDULE A - Financial Assets  
As of December 31, 2012

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NUMBER OF SHARE OR PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET	INCOME RECEIVED & ACCRUED
<b>Loans and Receivables</b>			
<b>A. Cash in Bank</b>		<b>Php 13,458,912,578</b>	<b>Php 48,118,740</b>
BPI			
Peso		11,329,826,222	45,570,880
Foreign Currency		129,463,000	17,555
Other Banks			
Peso		1,608,278,381	2,407,110
Foreign Currency		391,344,975	123,195
<b>B. Cash Equivalents</b>		<b>15,086,470,288</b>	<b>866,224,931</b>
BPI			
Special Savings Account		3,580,923,259	124,199,770
Time Deposits		5,972,833,470	206,955,489
Others		1,254,731,966	264,069,267
Other Banks			
Special Savings Account		1,972,238,203	106,690,731
Time Deposits		257,035,228	47,364,668
Others		2,048,708,162	116,945,006
<b>C. Loans and receivable</b>		<b>34,215,943,608</b>	<b>1,118,189,632</b>
Trade		27,261,822,976	1,078,194,146
Advances to other companies		5,954,120,632	-
Investment in bonds classified as loans and receivables		1,000,000,000	39,995,486
<b>D. Financial Assets at FVPL</b>		<b>713,715,865</b>	<b>-</b>
<b>E. AFS Financial assets</b>		<b>454,270,395</b>	<b>43,232,111</b>
<b>TOTAL :</b>		<b>Php 61,929,312,734</b>	<b>Php 2,075,765,414</b>

**AYALA LAND, INC. AND SUBSIDIARIES****SCHEDULE B - Amounts Receivable from Directors, Officers, Employees, Related Parties  
and Principal Stockholders (Other than Related Parties)***As of December 31, 2011*

NAME	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE		TOTAL
				CURRENT	NON-CURRENT	
Employees						
Notes Receivable	Php 289,657,606	Php 247,798,212	Php 286,799,573	Php 164,805,456	Php 85,850,789	Php 250,656,245
Accounts Receivable	141,857,447	102,758,371	182,236,425	62,379,393	-	62,379,393
	<b>Php 431,515,053</b>	<b>Php 350,556,583</b>	<b>Php 469,035,998</b>	<b>Php 227,184,849</b>	<b>Php 85,850,789</b>	<b>Php 313,035,638</b>

**AYALA LAND, INC. AND SUBSIDIARIES**

**Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period**

As of December 31, 2012

Amount Owed by Ayala Land, Inc. (ALI) Subsidiaries to ALI Parent				
	Receivable Balance per ALI Parent	Payable Balance per ALI Subsidiaries	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
Accendo Commercial Corp. (Accendo)	Php 49,778,639	Php 49,778,639	Php 49,778,639	-
ALI Property Partners Corp. (APPCo)	345,176,288	345,176,288	345,176,288	-
ALI-CII Development Corporation (ALI-CII)	1,837,526	1,837,526	1,837,526	-
Alveo Land Corporation	172,201,441	172,201,441	172,201,441	-
Amaia Land Co. (Amaia) (formerly First Realty Communities, Inc.)	1,069,910,719	1,069,910,719	1,069,910,719	-
Amorsedia Development Corporation and Subsidiaries	397,196,415	397,196,415	397,196,415	-
Aprisa Business Process Solutions, Inc.	44,001,752	44,001,752	44,001,752	-
Asian I-Office Properties, Inc.	34,061,445	34,061,445	34,061,445	-
Aurora Properties Incorporated	45,834,883	45,834,883	45,834,883	-
Avida Land Corporation and Subsidiaries	1,061,859,877	1,061,859,877	1,061,859,877	-
Ayala Hotels Inc.	185,961	185,961	185,961	-
Ayala Land International Sales, Inc.	46,120,365	46,120,365	46,120,365	-
Ayala Land Reit Commercial Corporation	11,421	11,421	11,421	-
Ayala Land Sales, Inc.	32,527,193	32,527,193	32,527,193	-
Ayala Property Management Corporation	82,409,913	82,409,913	82,409,913	-
Ayala Theatres Management, Inc. and Subsidiaries	755,616	755,616	755,616	-
AyalaLand Hotels and Resorts Corporation	2,211,862	2,211,862	2,211,862	-
Buendia Landholdings, Inc.	653,426	653,426	653,426	-
Cagayan De Oro Gateway Corporation	112,155	112,155	112,155	-
Cavite Commercial Center, Inc.	20,000	20,000	20,000	-
Ceci Realty, Inc.	19,074,667	19,074,667	19,074,667	-
Crans Montana Holdings Inc.	1,047,198	1,047,198	1,047,198	-
Crestview E-Office Corporation (CeOC)	40,795,469	40,795,469	40,795,469	-
Crimson Field Enterprises, Inc.	73,251,393	73,251,393	73,251,393	-
Directpower Services, Inc.	2,466,609	2,466,609	2,466,609	-
Fairview Prime Commercial Corp	5,905	5,905	5,905	-
Hillsford Property Corporation (HPC)	299,783,253	299,783,253	299,783,253	-
Laguna Technopark, Inc.	573,383	573,383	573,383	-
Leisure and Allied Industries Philippines, Inc.	11,792,591	11,792,591	11,792,591	-
MZM Realty Holdings, Inc.	103	103	103	-
NorthBeacon Commercial Corporation (NBCC)	777,329	777,329	777,329	-
Nuevocentro, Inc.	17,029,596	17,029,596	17,029,596	-
Philippine Integrated Energy Solutions, Inc.	10,063,709	10,063,709	10,063,709	-
Primavera Towncentre, Inc. (PTI)	18,808,659	18,808,659	18,808,659	-
Red Creek Properties, Inc.	216,023,884	216,023,884	216,023,884	-
Regent Time International, Limited (Regent Time) (British Virgin Islands)	96,790,963	96,790,963	96,790,963	-
Roxas Land Corporation (RLC)	3,225,619	3,225,619	3,225,619	-
Serendra, Inc.	48,583,777	48,583,777	48,583,777	-
Station Square East Commercial Corporation (SSECC)	56,532	56,532	56,532	-
Subic Bay Town Centre, Inc.	50,363,701	50,363,701	50,363,701	-
Summerhill E-Office Corporation	120,251	120,251	120,251	-
Sunnyfield E-Office Corp	18,416,546	18,416,546	18,416,546	-
Ten Knots Philippines, Inc.	475,934,081	475,934,081	475,934,081	-
Vesta Property Holdings, Inc.	9,670,443	9,670,443	9,670,443	-
<b>Sub-Total</b>	<b>Php 4,801,522,559</b>	<b>Php 4,801,522,559</b>	<b>Php 4,801,522,559</b>	<b>Php -</b>

Amount Owed by ALI Parent to ALI Subsidiaries				
	Receivable Balance per ALI Subsidiaries	Payable Balance per ALI Parent	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
ALI Property Partners Corp. (APPCo)	Php 1,750,908	Php 1,750,908	Php 1,750,908	Php -
ALI-CII Development Corporation (ALI-CII)	24,554	24,554	24,554	-
Alveo Land Corporation	36,165,159	36,165,159	36,165,159	-
Amorsedia Development Corporation and Subsidiaries	17,979,408	17,979,408	17,979,408	-
Aprisa Business Process Solutions, Inc.	22,036,765	22,036,765	22,036,765	-
Arvo Commercial Corporation	2,796	2,796	2,796	-
Aurora Properties Incorporated	7,995,952	7,995,952	7,995,952	-
Avida Land Corporation and Subsidiaries	13,083,488	13,083,488	13,083,488	-
Ayala Hotels and Resorts Corporation	11,301	11,301	11,301	-
Ayala Land International Sales, Inc.	2,886,392	2,886,392	2,886,392	-
Ayala Land Sales, Inc.	529,756	529,756	529,756	-
Ayala Property Management Corporation	6,918,037	6,918,037	6,918,037	-
Ceci Realty, Inc.	8,822,332	8,822,332	8,822,332	-
CMPI Holdings, Inc.	4,962,761	4,962,761	4,962,761	-
Crans Montana Holdings Inc.	174,991,300	174,991,300	174,991,300	-
Five Star Cinema, Inc.	14,000	14,000	14,000	-
Laguna Technopark, Inc.	3,832	3,832	3,832	-
Makati Development Corporation (MDC)	3,318,145,599	3,318,145,599	3,318,145,599	-
North Beacon Commercial Corporation (NBCC)	17,871,759	17,871,759	17,871,759	-
Philippine Integrated Energy Solutions, Inc.	22,263,436	22,263,436	22,263,436	-
Primavera Towncentre, Inc. (PTI)	7,231,832	7,231,832	7,231,832	-
Regent Time International, Limited (British Virgin Islands)	295,650,858	295,650,858	295,650,858	-
Serendra, Inc.	693,618	693,618	693,618	-
Station Square East Commercial Corporation (SSECC)	302,084	302,084	302,084	-
Vesta Property Holdings, Inc.	5,257,282	5,257,282	5,257,282	-
<b>Sub-Total</b>	<b>Php 3,965,595,208</b>	<b>Php 3,965,595,208</b>	<b>Php 3,965,595,208</b>	<b>Php -</b>



Amount Owed by Makati Development Corporation to ALI Subsidiaries					
	Receivable Balance per ALI Subsidiaries	Payable Balance per MDC	Current	Non-Current	
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>					
Alveo Land Corporation	Php 275,149,988	Php 275,149,988	Php 275,149,988	Php	-
Amaia Land Co. (Amaia) (formerly First Realty Communities, Inc.)	41,019,733	41,019,733	41,019,733		
Amorsedia Development Corporation and Subsidiaries	5,682,756	5,682,756	5,682,756		
Arvo Commercial Corporation	37,500	37,500	37,500		
Asian I-Office Properties, Inc. (AIO)	137,256,921	137,256,921	137,256,921		
Avida Land Corporation and Subsidiaries	153,384,916	153,384,916	153,384,916		
AyalaLand Hotels and Resorts Corporation	87,772,513	87,772,513	87,772,513		
Bellavita Land Corporation	19,926,943	19,926,943	19,926,943		
Laguna Technopark, Inc.	2,385,684	2,385,684	2,385,684		
Serendra, Inc.	279,012,896	279,012,896	279,012,896		
<b>Sub-Total</b>	<b>Php 1,001,629,850</b>	<b>Php 1,001,629,850</b>	<b>Php 1,001,629,850</b>	<b>Php</b>	<b>-</b>

Amount Owed by ALI Subsidiaries to Alveo Land Corporation					
	Receivable Balance per Alveo Land Corporation	Payable Balance per ALI Subsidiaries	Current	Non-Current	
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>					
Vesta Property Holdings, Inc.	Php 25,103,084	Php 25,103,084	Php 25,103,084	Php	-
Aurora Properties Incorporated	1,861,452	1,861,452	1,861,452		
<b>Sub-Total</b>	<b>Php 26,964,536</b>	<b>Php 26,964,536</b>	<b>Php 26,964,536</b>	<b>Php</b>	<b>-</b>

Amount Owed by ALI Subsidiaries to Makati Development Corporation (MDC)					
	Receivable Balance per MDC	Payable Balance per ALI Subsidiaries	Current	Non-Current	
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>					
ALI Property Partners Corp. (APPCo)	Php 3,574,794	Php 3,574,794	Php 3,574,794	Php	-
Alveo Land Corporation	761,111,586	761,111,586	761,111,586		
Amaia Land Co. (Amaia)	696,140,325	696,140,325	696,140,325		
Amorsedia Development Corporation and Subsidiaries	24,395,366	24,395,366	24,395,366		
Arvo Commercial Corporation	19,216,065	19,216,065	19,216,065		
Asian I-Office Properties, Inc. (AIO)	192,253,319	192,253,319	192,253,319		
Aurora Properties Incorporated	30,463,407	30,463,407	30,463,407		
Avida Land Corporation and Subsidiaries	637,326,615	637,326,615	637,326,615		
Bellavita Land Corporation	110,301,451	110,301,451	110,301,451		
Bonifacio Hotel Ventures, Inc.	99,281,370	99,281,370	99,281,370		
Ceci Realty, Inc.	125,960,107	125,960,107	125,960,107		
Crestview E-Office Corporation (CeOC)	86,971	86,971	86,971		
Ecosouth Hotel Ventures, Inc.	31,999,126	31,999,126	31,999,126		
Laguna Technopark, Inc.	18,262,450	18,262,450	18,262,450		
NorthBeacon Commercial Corporation (NBCC)	22,158,441	22,158,441	22,158,441		
Primavera Towncentre, Inc. (PTI)	2,461,848	2,461,848	2,461,848		
Serendra, Inc.	644,185,039	644,185,039	644,185,039		
Southcrest Hotel Ventures, Inc.	481,359,928	481,359,928	481,359,928		
Subic Bay Town Centre, Inc.	523,300,491	523,300,491	523,300,491		
Ten Knots Philippines, Inc.	133,499,449	133,499,449	133,499,449		
Vesta Property Holdings, Inc.	119,411,435	119,411,435	119,411,435		
<b>Sub-Total</b>	<b>Php 4,676,749,584</b>	<b>Php 4,676,749,584</b>	<b>Php 4,676,749,584</b>	<b>Php</b>	<b>-</b>

Amount Owed by ALI Subsidiaries to AyalaLand Hotels and Resorts Corporation					
	Receivable Balance per AyalaLand Hotels and Resorts Corporation	Payable Balance per ALI Subsidiaries	Current	Non-Current	
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>					
Ayala Land Hotels, Inc.	Php 2,579,243	Php 2,579,243	Php 2,579,243	Php	-
<b>Sub-Total</b>	<b>Php 2,579,243</b>	<b>Php 2,579,243</b>	<b>Php 2,579,243</b>	<b>Php</b>	<b>-</b>

Amount Owed by ALI Subsidiaries to Aurora Properties Incorporated					
	Receivable Balance per Aurora Properties Incorporated	Payable Balance per ALI Subsidiaries	Current	Non-Current	
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>					
Avida Land Corporation and Subsidiaries	Php 268,723	Php 268,723	Php 268,723	Php	-
Ceci Realty, Inc.	8,115	8,115	8,115		
Vesta Property Holdings, Inc.	27,739	27,739	27,739		
<b>Sub-Total</b>	<b>Php 304,577</b>	<b>Php 304,577</b>	<b>Php 304,577</b>	<b>Php</b>	<b>-</b>

Amount Owed by ALI Subsidiaries to Vesta Property Holdings, Inc.					
	Receivable Balance per Vesta Property Holdings, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current	
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>					
Avida Land Corporation and Subsidiaries	Php 161,817,796	Php 161,817,796	Php 161,817,796	Php	-
<b>Sub-Total</b>	<b>Php 161,817,796</b>	<b>Php 161,817,796</b>	<b>Php 161,817,796</b>	<b>Php</b>	<b>-</b>



Amount Owed by ALI Subsidiaries to CECI Realty, Inc.				
	Receivable Balance per CECI Realty, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
Aurora Properties Incorporated	Php 13,977,312	Php 13,977,312	Php 13,977,312	Php -
Avida Land Corporation and Subsidiaries	677,824	677,824	677,824	-
Vesta Property Holdings, Inc.	17,128,261	17,128,261	17,128,261	-
<b>Sub-Total</b>	<b>Php 31,783,397</b>	<b>Php 31,783,397</b>	<b>Php 31,783,397</b>	<b>Php -</b>

Amount Owed by ALI Subsidiaries to Studio Ventures, Inc.				
	Receivable Balance per Studio Ventures, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
IMZM Realty Holdings, Inc.	Php 929,918	Php 929,918	Php 929,918	Php -
<b>Sub-Total</b>	<b>Php 929,918</b>	<b>Php 929,918</b>	<b>Php 929,918</b>	<b>Php -</b>

Amount Owed by ALI Subsidiaries to Avida Land Corporation and Subsidiaries				
	Receivable Balance per Avida Land Corp. & Subsidiaries	Payable Balance per ALI Subsidiaries	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
Aurora Properties Incorporated	Php 14,431,140	Php 14,431,140	Php 14,431,140	Php -
Ayala Land International Sales, Inc.	495,811	495,811	495,811	-
Ayala Theatres Management, Inc. and Subsidiaries	69,503	69,503	69,503	-
Alveo Land Corporation	34,075	34,075	34,075	-
Amaia Land Co. (Amaia) (formerly First Realty Communities, Inc.)	3,339,024	3,339,024	3,339,024	-
<b>Sub-Total</b>	<b>Php 18,369,552</b>	<b>Php 18,369,552</b>	<b>Php 18,369,552</b>	<b>Php -</b>

Amount Owed by ALI Subsidiaries to Serendra, Inc.				
	Receivable Balance per Serendra, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
Ayala Property Management Corporation	Php 119,278	Php 119,278	Php 119,278	Php -
<b>Sub-Total</b>	<b>Php 119,278</b>	<b>Php 119,278</b>	<b>Php 119,278</b>	<b>Php -</b>

Amount Owed by ALI Subsidiaries to Amaia Land Co.				
	Receivable Balance per Amaia Land Co.	Payable Balance per ALI Subsidiaries	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
Avida Land Corporation and Subsidiaries	Php 834,210	Php 834,210	Php 834,210	Php -
Bellavita Land Corporation	65,668	65,668	65,668	-
<b>Sub-Total</b>	<b>Php 899,878</b>	<b>Php 899,878</b>	<b>Php 899,878</b>	<b>Php -</b>

Amount Owed by ALI Subsidiaries to Ten Knots Philippines, Inc.				
	Receivable Balance per Ten Knots Philippines, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
Ten Knots Development, Corp.	Php 702,776	Php 702,776	Php 702,776	Php -
<b>Sub-Total</b>	<b>Php 702,776</b>	<b>Php 702,776</b>	<b>Php 702,776</b>	<b>Php -</b>

Amount Owed by ALI Subsidiaries to Primavera Towncentre, Inc.				
	Receivable Balance per Primavera Towncentre, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
Ceci Realty, Inc.	Php 1,441,483	Php 1,441,483	Php 1,441,483	Php -
<b>Sub-Total</b>	<b>Php 1,441,483</b>	<b>Php 1,441,483</b>	<b>Php 1,441,483</b>	<b>Php -</b>

Amount Owed by ALI Subsidiaries to Aprisa Business Process Solutions, Inc.				
	Receivable Balance per Aprisa Business Process Solutions, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>				
Accendo Commercial Corp. (Accendo)	Php 1,050,774	Php 1,050,774	Php 1,050,774	Php -
Aurora Properties Incorporated	374,042	374,042	374,042	-
Ceci Realty, Inc.	289,603	289,603	289,603	-
North Beacon Commercial Corporation (NBCC)	410,760	410,760	410,760	-
Subic Bay Town Centre, Inc.	493,084	493,084	493,084	-
Vesta Property Holdings, Inc.	274,887	274,887	274,887	-
<b>Sub-Total</b>	<b>Php 2,893,151</b>	<b>Php 2,893,151</b>	<b>Php 2,893,151</b>	<b>Php -</b>

Amount Owed by ALI Subsidiaries to Ecoholdings, Inc.					
Receivable Balance per Ecoholdings, Inc.		Payable Balance per ALI Subsidiaries		Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>					
Ten Knots Development, Corp.	Php	673,065,746	Php	673,065,746	Php -
Ten Knots Philippines, Inc.		93,144,121		93,144,121	
<b>Sub-Total</b>	<b>Php</b>	<b>766,209,867</b>	<b>Php</b>	<b>766,209,867</b>	<b>Php -</b>

Amount Owed by ALI Subsidiaries to ALI					
Receivable Balance per ALI		Payable Balance per ALI Subsidiaries		Current	Non-Current
<b>Ayala Land, Inc. (ALI) Subsidiaries:</b>					
ALI Property Partners Corp. (APPCo)	Php	1,400,000,000	Php	1,400,000,000	Php -
Makati Development Corporation		900,000,000		900,000,000	
<b>Sub-Total</b>	<b>Php</b>	<b>2,300,000,000</b>	<b>Php</b>	<b>2,300,000,000</b>	<b>Php -</b>

<b>Total Eliminated Receivables</b>	<b>Php</b>	<b>17,760,512,654</b>	<b>Php</b>	<b>17,760,512,654</b>	<b>Php -</b>
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**AYALA LAND, INC. AND SUBSIDIARIES**  
**Schedule D - Intangible Assets - Other Assets**  
*As of December 31, 2012*

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Lease Right 1/ Goodwill 2/	Php 120,171,933 -	Php - 393,630,450	Php (6,676,219) -	Php - -	Php - -	Php 113,495,714 393,630,450
	<b>Php 120,171,933</b>	<b>Php 393,630,450</b>	<b>Php (6,676,219)</b>	<b>Php -</b>	<b>Php -</b>	<b>Php 507,126,164</b>

1/ Leaseright pertains to the right to use an island property expiring on December 31, 2029.

2/Goodwill pertains to the excess of acquisition cost of AHRC over fair value of acquired net assets of AMHRI and AMPHI.

These intangible assets were included under non-current assets.

AYALA LAND, INC. AND SUBSIDIARIES  
SCHEDULE E - LONG-TERM DEBT  
As of December 31, 2012

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT (NET OF CURRENT PORTION)	Interest Rate	No. of Periodic Installment	Maturity Date
<b>Ayala Land, Inc.:</b>						
<b>BONDS</b>						
Philippine Peso 5-Year Bond	Php 4,000,000,000	Php 4,000,000,000	Php -	8.750%	N/A	2013
Philippine Peso Homestarter Bond	1,008,000,000	630,680,000		5.000%	N/A	2013
Philippine Peso Homestarter Bond	2,016,000,000		397,705,000	5.000%	N/A	2014
Philippine Peso Homestarter Bond	1,000,000,000		999,950,000	5.000%	N/A	2015
Philippine Peso 7-Year Bond	9,350,000,000		9,350,000,000	5.625%	N/A	2019
Philippine Peso 10-Year Bond	5,650,000,000		5,650,000,000	6.000%	N/A	2022
Philippine Peso 7-year FRCN	1,000,000,000		1,000,000,000	Floating	N/A	2016
<b>Philippine Peso FXCNs</b>						
5-year	220,000,000		220,000,000	7.755%	N/A	2014
7-year	830,000,000		830,000,000	8.455%	3	2016
10-year	1,330,000,000		1,330,000,000	8.900%	6	2019
<b>Philippine Peso FXCNs</b>						
5-year	5,700,000,000		5,700,000,000	5.625%	3	2016
10-year	3,300,000,000		3,300,000,000	6.875%	6	2021
15-year	1,000,000,000		1,000,000,000	7.575%	11	2026
U.S Dollar Denominated 6-year Term Loan due 2018	2,402,861,750		2,402,861,750	Floating	6	2023
<b>Philippine Peso FXCNs</b>						
Due 2013	250,000,000	195,000,000	-	7.375%	N/A	2013
Due 2016	920,000,000		100,000,000	7.750%	N/A	2016
Philippine Peso 7- year FXCNs due 2023	3,500,000,000		3,500,000,000	Floating	33	2023
<b>Sub-Total</b>	<b>Php 43,476,861,750</b>	<b>Php 4,825,680,000</b>	<b>Php 35,780,516,750</b>			
<b>Subsidiaries:</b>						
Bank Loan (BPI)	Various	Php 363,138,557	Php 7,590,999,675	Fixed and Floating rates, various	Various	Various from 2014 to 2017
Bank Loan (ChinaBank)	Various	59,399,139	3,014,463,361	Fixed and Floating rates, various	Various	Various 2014 to 2018
Bank Loan (RCBC)	Various	10,000,000	2,557,500,000	Fixed and Floating rates, various	Various	Various 2014 to 2018
Bank Loan (LandBank of the Phil)	Various	6,250,000	2,542,187,500	Floating rates	Various	Various from 2016 to 2020
Bank Loan (Security Bank)	Various	621,166,000	1,101,067,000	Fixed and Floating rates, various	Various	Various from 2014 to 2017
Bank Loan (DBP)	Various	495,000,000	832,500,000	Floating rate	Various	2014
Bank Loan (MetroBank)	Various	6,200,000	563,687,500	Fixed rates, various	Various	2015
<b>Sub-Total</b>		<b>Php 1,561,153,697</b>	<b>Php 18,202,405,035</b>			
		<b>Php 6,386,833,697</b>	<b>Php 53,982,921,785</b>			

**AYALA LAND, INC. AND SUBSIDIARIES**  
**SCHEDULE F - Indebtedness to Related Parties**  
**(Long Term Loans from Related Companies)**  
*As of December 31, 2012*

NAME OF RELATED PARTY	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD
<b>NOT APPLICABLE</b>		

The total amount of long-term loans from related parties are less than 5% of the total assets of the Group as of December 31, 2012 and 2011.

**AYALA LAND, INC. AND SUBSIDIARIES**  
**SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
*As of December 31, 2012*

<b>NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR W/C THIS STATEMENT IS FILED</b>	<b>TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED</b>	<b>TOTAL AMOUNT GUARANTEED &amp; OUTSTANDING</b>	<b>AMOUNT OWNED BY PERSON FOR W/C STATEMENT IS FILED</b>	<b>NATURE OF GUARANTEE</b>
	<div data-bbox="634 743 1297 788" style="border: 1px solid black; padding: 2px; display: inline-block;">NOT APPLICABLE</div>			

AYALA LAND, INC. AND SUBSIDIARIES  
 SCHEDULE H- CAPITAL STOCK  
 As of December 31, 2012

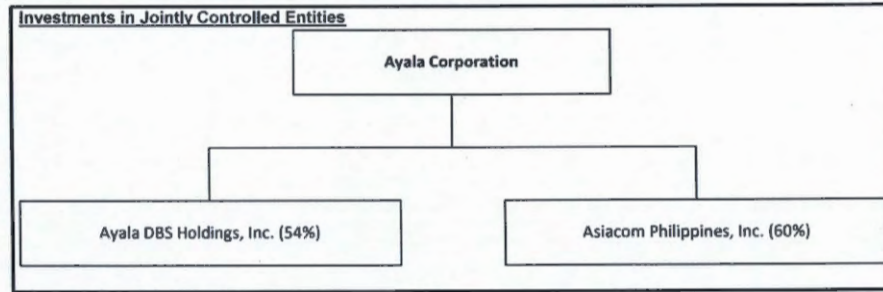
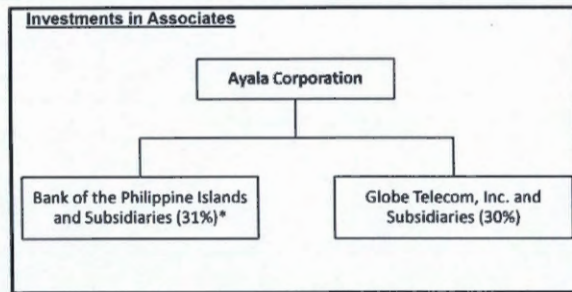
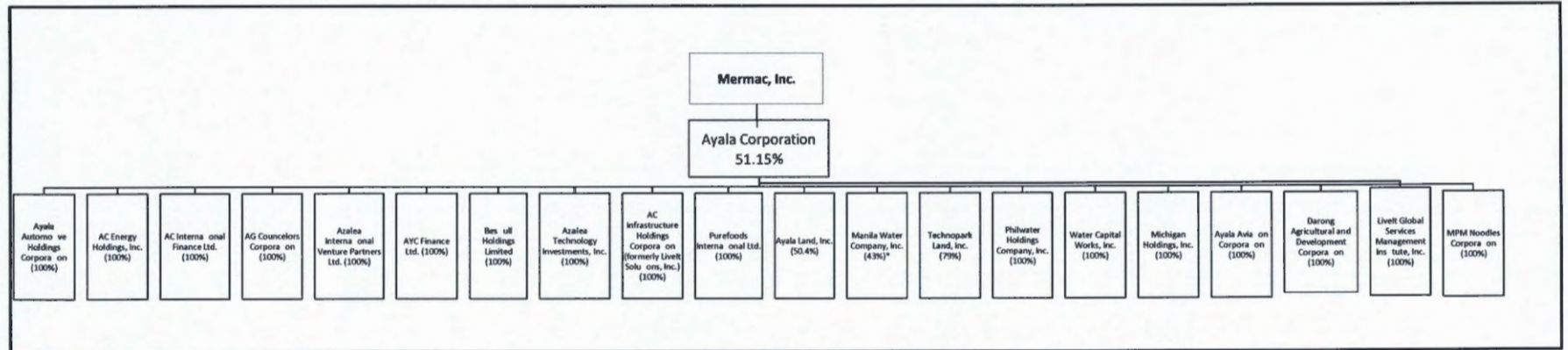
TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING AT SHOWN UNDER RELATED BALANCE SHEET CAPTION				NUMBER OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION AND OTHER RIGHTS	NUMBER OF SHARES HELD BY RELATED PARTIES	DIRECTORS, OFFICERS AND EMPLOYEES	OTHERS
		ISSUED	SUBSCRIBED	TREASURY SHARES	TOTAL				
Common Stock	20,000,000,000	13,729,402,736	102,158,868	(79,528,228)	13,752,033,376	45,700,462	6,962,086,216	109,334,675	
Preferred Stock	28,000,000,000	26,101,098,640		(13,034,603,880)	13,066,494,760				

AYALA LAND, INC.  
SCHEDULE I - RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION  
December 31, 2012

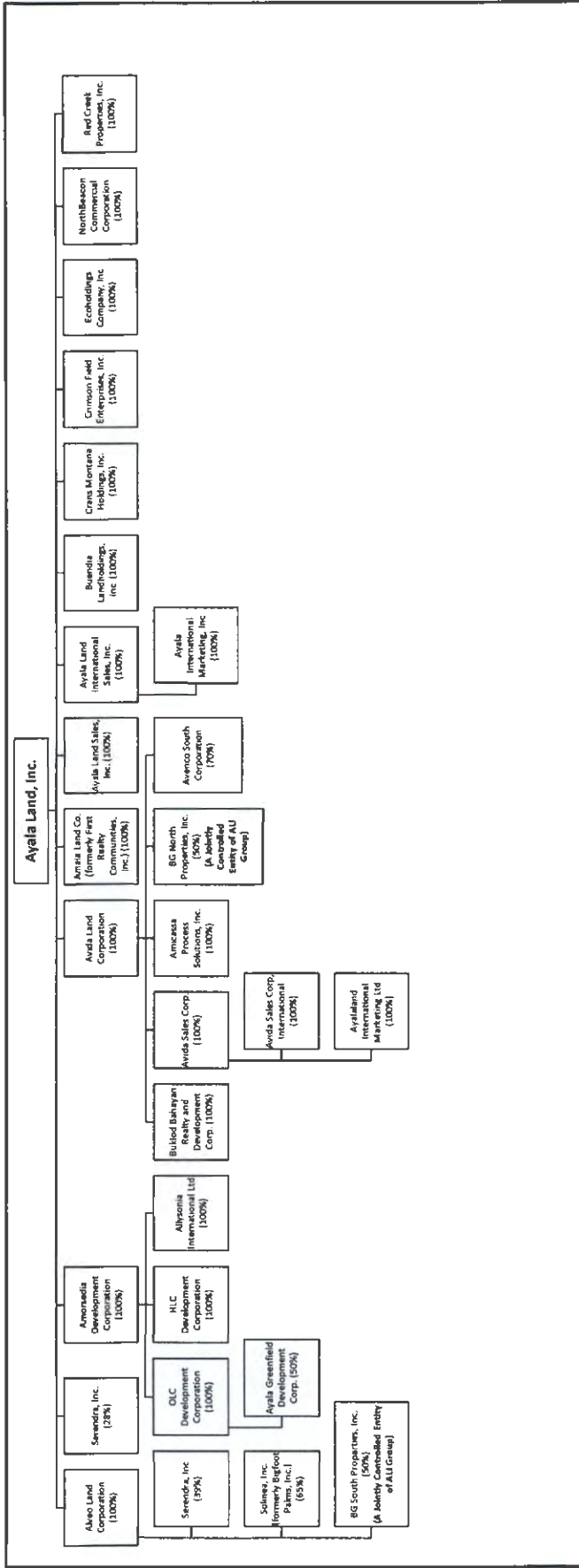
Unappropriated Retained Earnings, beginning		Php 21,006,912,237
Less adjustments:		
Deferred tax assets	Php (942,010,485)	
Treasury shares	(823,967,469)	(1,765,977,954)
		<hr/>
Unappropriated Retained Earnings, as adjusted, beginning		19,240,934,283
Net Income based on the face of AFS	Php 5,510,685,991	
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	(593,852,588)	
		<hr/>
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)		
		<hr/>
Net Income Actual/Realized		4,916,843,403
Less: Other adjustments		
Amount of provision for deferred tax during the year	(60,772,609)	
Dividend declarations during the period	(2,902,133,399)	
Treasury shares	(1,303,450,339)	
		<hr/>
Unappropriated Retained Earnings, as adjusted, ending		<u>Php 19,891,411,290</u>



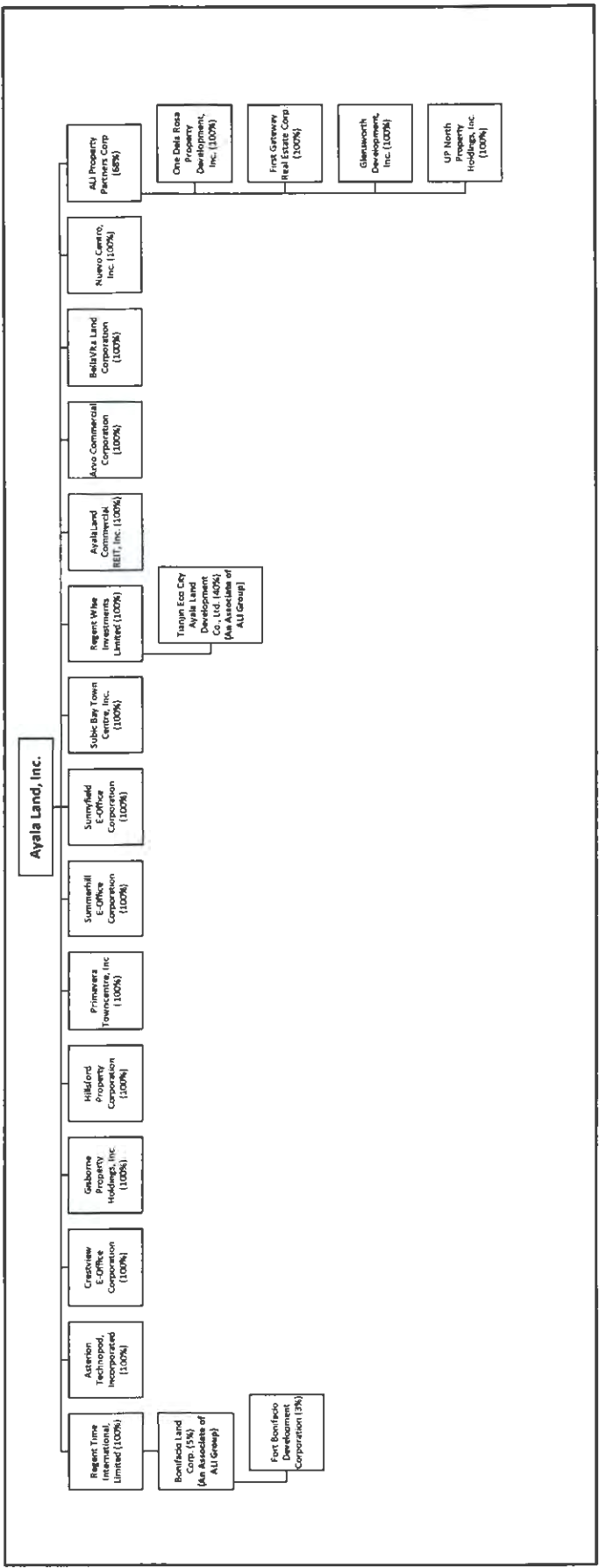
**AYALA LAND, INC. AND SUBSIDIARIES**  
**SCHEDULE J - MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**  
 December 31, 2012

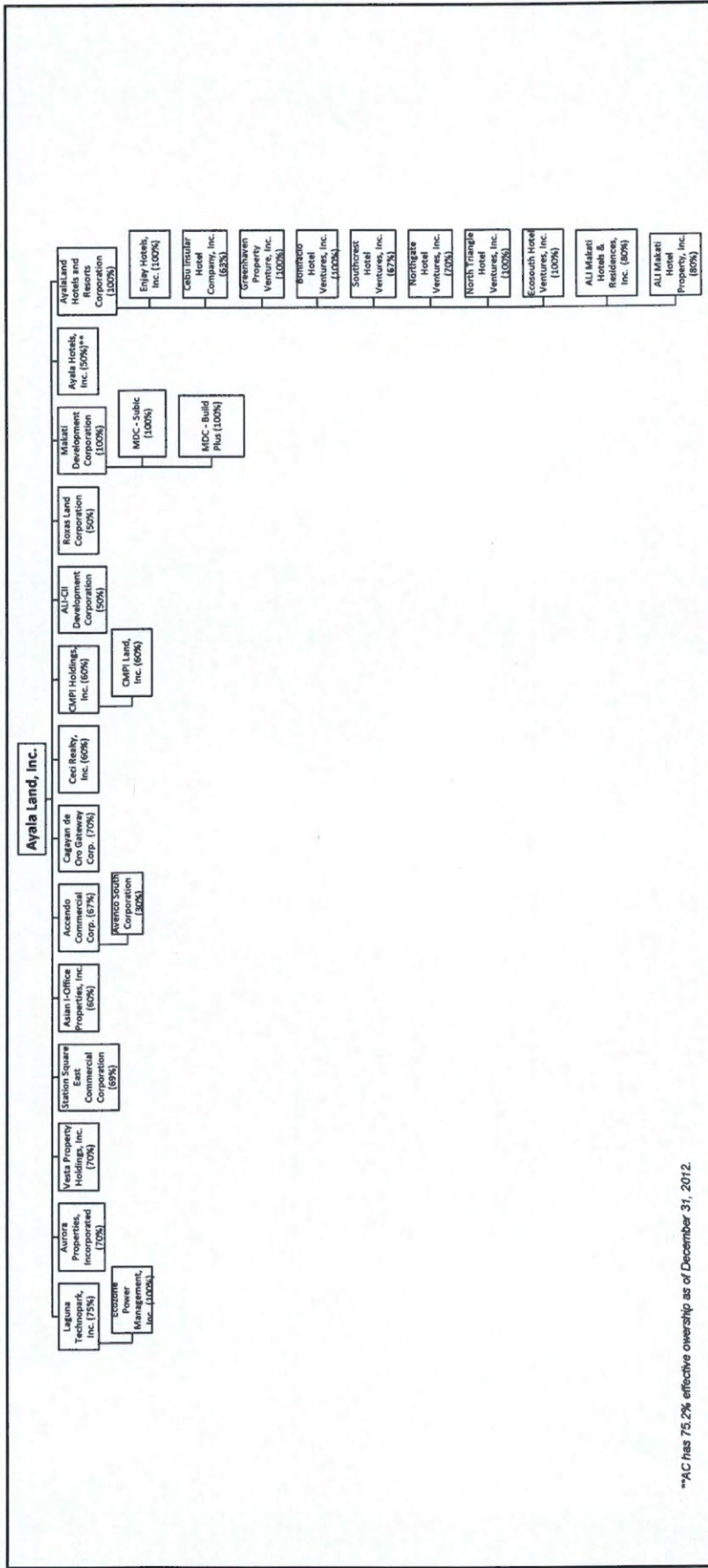


\*Pertains to effective ownership as of December 31, 2012.

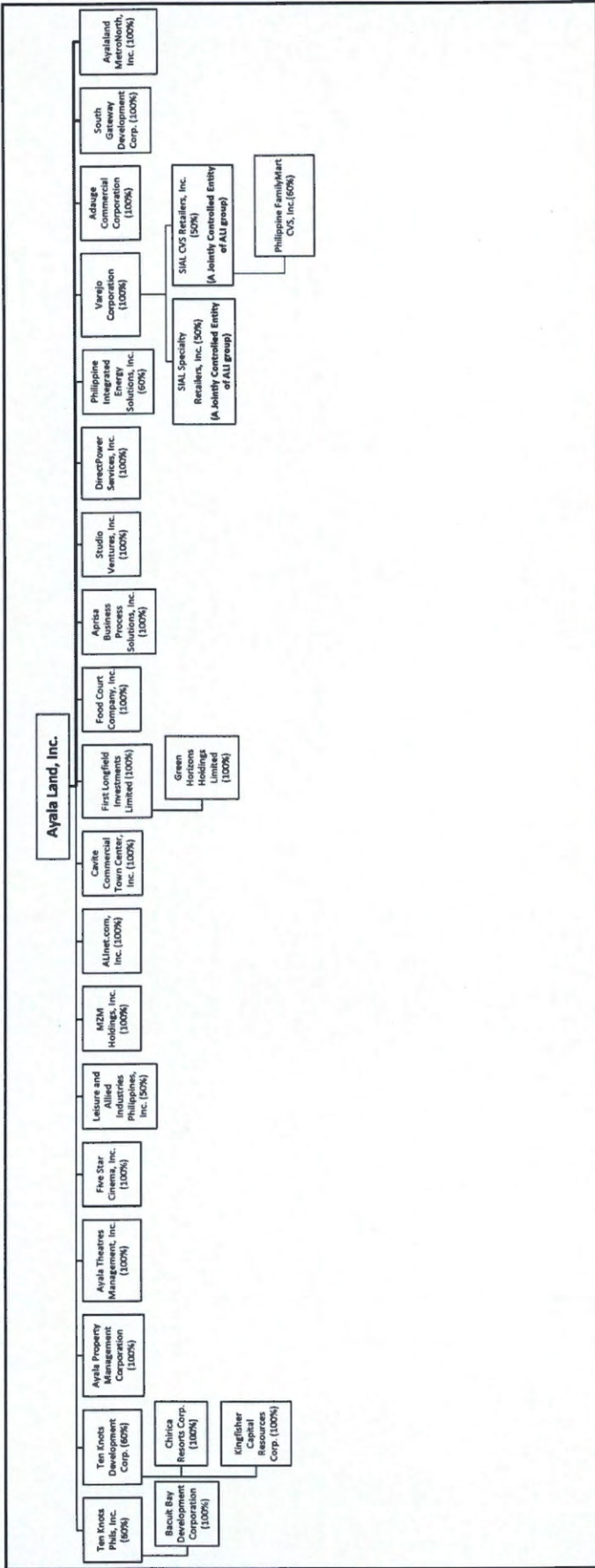








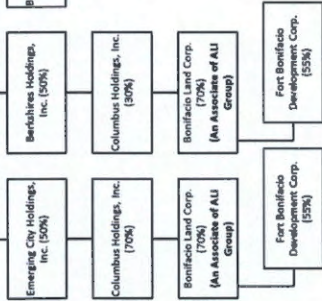
\*AC has 75.2% effective ownership as of December 31, 2012.





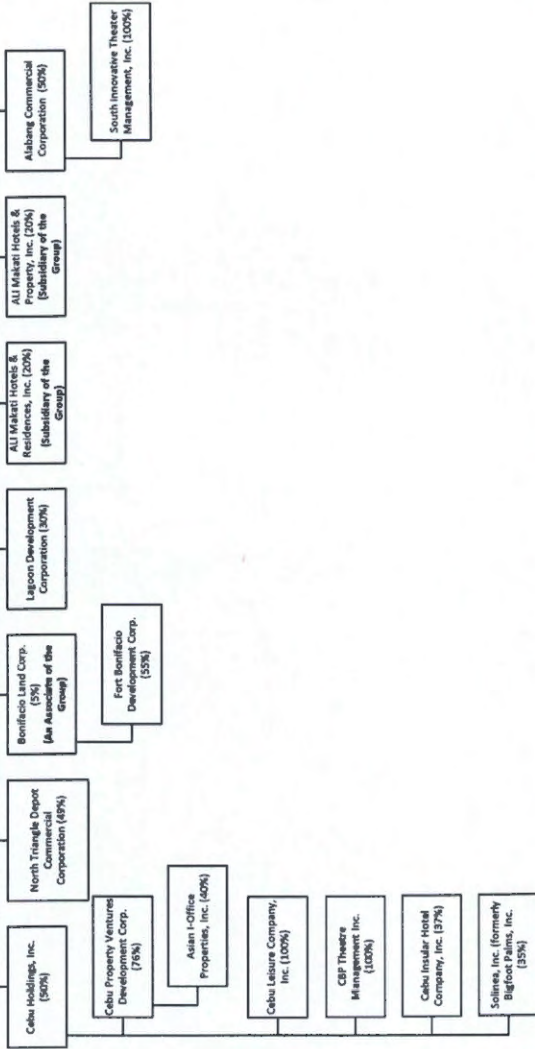
**Direct Investments in Jointly Controlled Entities**

**Ayala Land, Inc.**



**Direct Investments in Associates**

**Ayala Land, Inc.**



**AYALA LAND, INC. AND SUBSIDIARIES**  
**SCHEDULE K - LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS**  
 December 31, 2012

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
<b>PFRS 2</b>	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	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	Not early adopted		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments		Not early adopted	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		Not early adopted	
<b>PFRS 10</b>	Consolidated Financial Statements		Not early adopted	
<b>PFRS 11</b>	Joint Arrangements		Not early adopted	
<b>PFRS 12</b>	Disclosure of Interests in Other Entities		Not early adopted	
<b>PFRS 13</b>	Fair Value Measurement		Not early adopted	
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	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		Not early adopted	
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Balance Sheet Date	✓		
<b>PAS 11</b>	Construction Contracts	✓		
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19</b>	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits		Not early adopted	
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
<b>PAS 27 (Amended)</b>	Separate Financial Statements		Not early adopted	
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures		Not early adopted	
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures	✓		
<b>PAS 32</b>	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		Not early adopted	
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
<b>PAS 39</b>	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			✓
<b>PAS 40</b>	Investment Property	✓		
<b>PAS 41</b>	Agriculture			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		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**  
**FINANCIAL RATIOS (SRC RULE 68, AMENDED)**  
**DECEMBER 31, 2012**

<b>Financial Soundness Indicator:</b>	<b>2012</b>	<b>2011</b>
<b>a. Current/ liquidity ratios</b>		
Current ratios	<b>140.2%</b>	165.1%
Quick ratios	<b>106.9%</b>	117.0%
<b>b. Solvency/ debt-to-equity ratios</b>		
Debt-to equity ratios	<b>84.4%</b>	55.3%
Net debt- to-equity ratios	<b>48.8%</b>	15.5%
<b>c. Asset-to-equity ratios</b>	<b>281.0%</b>	248.0%
<b>d. Interest rate coverage ratios</b>	<b>6.82</b>	7.08
<b>e. Profitability ratios</b>		
Net income margin	<b>16.6%</b>	16.2%
Return on total assets	<b>5.4%</b>	5.9%
Return on equity	<b>12.6%</b>	11.8%
<b>f. Other relevant ratios</b>	<b>None</b>	None

*Please see Annex A for the supporting computations*

AYALA LAND, INC. AND SUBSIDIARIES  
SCHEDULE L - FINANCIAL RATIOS  
December 31, 2012

	2012	2011
	(AMOUNTS IN THOUSANDS)	
<b>Current / liquidity ratios</b>		
Current Assets	101,283,500	75,316,642
Current liabilities	72,253,210	45,629,278
<b>Current ratios</b>	<b>140.2%</b>	<b>165.1%</b>
Current Assets	101,283,500	75,316,642
Inventory	24,070,387	21,908,571
Quick assets	77,213,113	53,408,071
Current liabilities	72,253,210	45,629,278
<b>Quick ratios</b>	<b>106.9%</b>	<b>117.0%</b>

	2012	2011
	(AMOUNTS IN THOUSANDS)	
<b>Solvency/ debt-to-equity ratios</b>		
Short-term debt	9,282,831	4,638,844
Current portion of long-term debt	6,386,834	1,556,761
Long-term debt - net of current portion	53,780,786	28,257,970
<b>Debt</b>	<b>69,450,451</b>	<b>34,453,575</b>
Equity	91,545,227	72,042,512
Less: Noncontrolling interest	9,230,018	9,685,546
Equity attributable to parent	82,315,209	62,356,966
Less: Unrealized gain - AFS	39,564	53,909
<b>Equity, net of unrealized gain</b>	<b>82,275,645</b>	<b>62,303,057</b>
<b>Debt to equity ratio</b>	<b>84.4%</b>	<b>55.3%</b>
Debt	69,450,451	34,453,575
Cash and cash equivalents	28,596,398	24,603,713
Short term investments	16,503	191,487
Financial assets at FV through P&L	713,716	-
Net Debt	40,123,834	9,658,375
Equity	82,275,645	62,303,057
<b>Net Debt to equity ratio</b>	<b>48.8%</b>	<b>15.5%</b>

	2012	2011
	(AMOUNTS IN THOUSANDS)	
<b>Asset to equity ratios</b>		
Total Assets	231,232,383	154,541,983
Total Equity	82,275,645	62,303,057
<b>Asset to Equity Ratio</b>	<b>281.0%</b>	<b>248.0%</b>

	2012	2011
	(AMOUNTS IN THOUSANDS)	
<b>Interest rate coverage ratio</b>		
Net income after tax	10,334,389	8,090,583
Add:		
provision for income tax	2,892,096	2,619,145
Interest expense and other financing charges	3,050,854	1,879,770
Other charges	365,446	195,292
	6,308,396	4,694,207
Less:		
Interest and investment income	2,725,377	1,658,896
Other income	560,851	417,253
	3,286,228	2,076,149
<b>EBIT</b>	<b>13,356,557</b>	<b>10,708,641</b>
Depreciation and amortization	2,089,795	2,310,389
<b>EBITDA</b>	<b>15,446,352</b>	<b>13,019,030</b>
Interest expense	2,265,272	1,838,897
Short-term debt	152,008	131,592
Long-term debt	2,113,264	1,707,305
<b>Interest rate coverage ratio</b>	<b>6.8</b>	<b>7.1</b>

2012                      2011  
**(AMOUNTS IN THOUSANDS)**

**Profitability ratios**

Net Income Attributable to Equity holders of Ayala Land, Inc.	9,038,328	7,140,308
Revenue	54,524,816	44,205,533
<b>Net income margin</b>	<b>16.6%</b>	<b>16.2%</b>
Net income after tax	10,334,389	8,090,583
Total Assets CY	231,232,383	154,541,983
Total Assets PY	154,541,983	121,675,262
Average Total Assets	192,887,183	138,108,623
<b>Return on total assets</b>	<b>5.4%</b>	<b>5.9%</b>
Net income after tax	10,334,389	8,090,583
Total Equity-CY	91,545,227	72,042,512
Total Equity-PY	72,042,512	65,470,128
Average total equity	81,793,870	68,756,320
<b>Return on Equity</b>	<b>12.6%</b>	<b>11.8%</b>

**P15Bn BONDS**  
**Schedule and Use of Proceeds**

	<b>ESTIMATE PER PROSPECTUS</b>	<b>ACTUAL</b>
<b>Gross Proceeds</b>	<b>15,000,000,000.00</b>	<b>15,006,000,000.00</b>
<b>Less: Upfront Expenses</b>		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
Underwriting Fee	54,035,000.00	52,954,300.00
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	729,169.96
Trustee Fees	112,500.00	
Listing Fee	100,000.00	443,666.68
	<b>141,440,625.00</b>	<b>141,055,663.46</b>
<b>Net Proceeds</b>	<b>14,858,559,375.00</b>	<b>14,858,944,336.54</b>
<b>Balance of Proceeds as 12.31.12</b>	<b>Nil</b>	

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 (P 1.5Bn) and (iii) the acquisition of 74 hectares located in the FTI Complex, Taguig City (P12.2Bn).



**HOMESTARTER BONDS 5**  
**Schedule and Use of Proceeds**

	<b>PER PROSPECTUS</b>	<b>ACTUAL</b>
Estimated proceeds from the sale of the Bonds	<u>1,000,000,000.00</u>	<u>1,000,000,000.00</u>
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	2,200,000.00	1,587,085.83
Registry and Paying Agency Fees	200,000.00	154,090.30
Documentary Stamp Tax	<u>10,000,000.00</u>	<u>5,000,000.00</u>
	<u>21,725,625.00</u>	<u>17,487,801.13</u>
Estimated/actual net proceeds to Ayala Land, Inc.	<u>Php978,274,375.00</u>	<u>Php982,512,198.87</u>
<b>Balance of Proceeds as 12.31.12</b>	<b>Nil</b>	

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