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(Company's Full Name)

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

Victoria D. Frejas

Contact Person

908-3429

Company Telephone Number

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Month				Day	
Fiscal Year					

1	7	-	Q
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Month		Day	
Annual Meeting			

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Secondary License Type, if Applicable

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Amended Articles Number/Section

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Total No. Of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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SEC No. 34218

File No. _____

AYALA CORPORATION

(Company's Full Name)

**34/F Tower One, Ayala Triangle
Ayala Avenue, Makati City**

(Company's Address)

908-3000

(Telephone Number)

March 31, 2014

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q



QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE (SRC) AND SRC RULE 17(2)(b) THEREUNDER

1. For the semi-annual period ended: **March 31, 2014**
2. SEC Identification No.: **34218**
3. BIR Tax Identification No. **000-153-610-000**
4. Exact name of the registrant as specified in its charter: **AYALA CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: **34th Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City** Postal Code: **1226**
8. Registrant's telephone number: **(632) 908-3000**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares issued & outstanding As of March 31, 2014
Preferred A	0*
Preferred B	20,000,000**
Voting Preferred	200,000,000
Common	599,546,281

* Net of 12,000,000 treasury shares

** Net of 38,000,000 treasury shares

As of March 31, 2014, 38.17% of Ayala's common shares were owned by the public.

Amount of debt outstanding as of March 31, 2014: **P237.0 billion**

11. Are any or all of these securities listed in the Philippine Stock Exchange? Yes ☒ No ☐

A total of 596,156,217 Common shares, and 20,000,000 Preferred "B" shares are listed with the Philippine Stock Exchange as of March 31, 2014.

12. Check whether the registrant:

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

(b) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

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PART I FINANCIAL INFORMATION

Item 1 Financial Statements

AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Pesos)

	March 31, 2014 Unaudited	December 31, 2013 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	68,695,058	65,655,049
Short-term investments (Note 5)	8,587,498	119,345
Accounts and notes receivable (Note 6)	58,953,037	56,341,044
Inventories (Note 7)	51,967,984	50,178,486
Other current assets (Note 8)	38,128,805	39,194,020
Total Current Assets	226,332,382	211,487,944
Noncurrent asset held for sale	-	3,328,712
	226,332,382	214,816,656
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	18,334,221	18,282,941
Investment in bonds and other securities (Note 11)	11,849,579	2,784,807
Land and improvements (Note 9)	67,219,157	62,474,802
Investments in associates and joint ventures (Note 10)	134,033,935	119,804,086
Investment properties (Note 12)	64,193,826	63,157,223
Property, plant and equipment	26,948,865	25,883,469
Service concession assets (Note 13)	74,148,526	73,754,407
Intangible assets	4,180,832	4,175,846
Deferred tax assets - net	6,854,340	6,513,585
Pension and other noncurrent assets	12,864,482	8,016,478
Total Noncurrent Assets	420,627,763	384,847,644
Total Assets	646,960,145	599,664,300
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	119,606,884	103,604,247
Short-term debt (Note 16)	19,833,552	15,811,285
Income tax payable	2,370,071	1,667,543
Current portion of:		
Long-term debt (Note 16)	12,003,010	11,842,519
Service concession obligation	1,274,811	1,290,406
Other current liabilities (Note 15)	6,914,044	10,991,693
Total Current Liabilities	162,002,372	145,207,693
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	205,163,242	178,027,343
Service concession obligation - net of current portion	7,877,265	7,868,295
Deferred tax liabilities - net	6,009,986	6,347,400
Pension liabilities - net	1,050,323	1,915,040
Other noncurrent liabilities (Note 15)	21,798,955	24,827,938
Total Noncurrent Liabilities	241,899,771	218,986,016
Total Liabilities	403,902,143	364,193,709
Equity		
Equity attributable to owners of the parent		
Paid-in capital (Note 17)	50,229,112	50,166,129
Share-based payments	461,167	485,187
Remeasurement gains/(losses) on defined benefit plans	(1,317,954)	(1,317,954)
Net unrealized gain (loss) on available-for-sale financial assets	(450,777)	277,848
Cumulative translation adjustments	(260,209)	(1,256,831)
Equity reserve	7,431,169	7,482,121
Retained earnings (Note 17)	98,111,215	92,639,781
Treasury stock	(5,000,000)	(5,000,000)
	149,203,723	143,476,281
Non-controlling interests	93,854,279	91,994,310
Total Equity	243,058,002	235,470,591
Total Liabilities and Equity	646,960,145	599,664,300

See accompanying Notes to Unaudited Consolidated Financial Statements.

**XAYALA CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousand Pesos, except earnings per share)

	March 2014 Unaudited	March 2013 Unaudited
INCOME		
Sale of goods	24,206,390	21,243,363
Rendering of services	12,926,990	10,645,873
Share of profit of associates and joint ventures	3,145,714	3,913,249
Interest income	1,399,332	807,452
Other income	2,996,701	1,455,352
	44,675,127	38,065,289
COSTS AND EXPENSES		
Costs of sales	18,650,410	16,574,373
Costs of rendering services	8,306,911	6,220,854
General and administrative	3,763,314	3,108,859
Interest and other financing charges	2,879,455	2,444,848
Other charges	615,919	1,082,913
	34,216,009	29,431,847
INCOME BEFORE INCOME TAX	10,459,118	8,633,442
PROVISION FOR INCOME TAX		
Current	1,975,564	1,728,848
Deferred	(189,080)	(20,910)
	1,786,484	1,707,938
NET INCOME	8,672,634	6,925,504
Net Income Attributable to:		
Owners of the parent	5,471,434	4,506,815
Non-controlling interests	3,201,200	2,418,689
	8,672,634	6,925,504
EARNINGS PER SHARE (Note 18)		
Basic	9.35	7.37
Diluted	9.30	7.30

See accompanying Notes to Unaudited Consolidated Financial Statements.

XX AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousand Pesos)

	March 2014 Unaudited	March 2013 Unaudited
NET INCOME	8,672,634	6,925,504
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising from translations of foreign investments	1,165,981	(407,606)
Changes in fair values of available-for-sale financial assets	59,550	(176,770)
	1,225,532	(584,376)
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES		
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising from translations of foreign investments	12,806	(27,435)
Changes in fair values of available-for-sale financial assets	(801,462)	413,072
	(788,656)	385,637
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	436,876	(198,739)
TOTAL COMPREHENSIVE INCOME	9,109,510	6,726,765
Total Comprehensive Income Attributable to:		
Owners of the parent	5,739,430	4,359,958
Non-controlling interests	3,370,080	2,366,807
	9,109,510	6,726,765

See accompanying Notes to Unaudited Consolidated Financial Statements.

Note: Actuarial valuation on retirement fund is done annually and impact is reflected in the audited year-end financial statements of the AC Group.

XYALA CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousand Pesos)

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

	Other Comprehensive Income										
	Paid-in Capital	Share-based Payments	Remeasurement gains/(losses) on defined benefit plans	Net Unrealized gain (loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Retained Earnings	Parent Company Preferred Shares Held by Subsidiaries	Treasury Stock	Non-controlling Interests	Total Equity
As at January 1, 2014	50,166,129	485,187	(1,317,954)	277,848	(1,256,831)	7,482,121	92,639,781	-	(5,000,000)	91,994,310	235,470,591
Net Income	-	-	-	-	-	-	5,471,434	-	-	3,201,200	8,672,634
Other comprehensive income (loss)	-	-	-	(728,625)	996,622	-	-	-	-	168,880	436,876
Total comprehensive income (loss)	-	-	-	(728,625)	996,622	-	5,471,434	-	-	3,370,080	9,109,510
Issuance of shares	62,983	-	-	-	-	-	-	-	-	-	62,983
Cost of share-based payments	-	(24,020)	-	-	-	-	-	-	-	-	(24,020)
Change in non-controlling interests	-	-	-	-	-	(50,952)	-	-	-	(1,510,110)	(1,561,062)
At March 31, 2014 (Unaudited)	50,229,112	461,167	(1,317,954)	(450,777)	(260,209)	7,431,169	98,111,215	-	(5,000,000)	93,854,279	243,058,002

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

	Other Comprehensive Income										
	Paid-in Capital	Share-based Payments	Remeasurement gains/(losses) on defined benefit plans	Net Unrealized gain (loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Retained Earnings	Parent Company Preferred Shares Held by Subsidiaries	Treasury Stock	Non-controlling Interests	Total Equity
As at January 1, 2013, as restated	45,119,932	460,771	(943,361)	1,798,964	(3,238,400)	5,379,074	83,268,077	(250,000)	(7,497,344)	82,342,636	206,440,349
Net Income	-	-	-	-	-	-	4,506,815	-	-	2,418,689	6,925,504
Other comprehensive income (loss)	-	-	-	1,231,259	(371,618)	-	115,113	-	-	(51,882)	922,872
Total comprehensive income (loss)	-	-	-	1,231,259	(371,618)	-	4,621,928	-	-	2,366,807	7,848,376
Issuance of shares	41,483	-	-	-	-	-	-	-	-	-	41,483
Cost of share-based payments	-	47,212	-	-	-	-	-	-	-	-	47,212
Cash Dividends	-	-	-	-	-	-	(186)	-	-	-	(186)
Change in non-controlling interests	-	-	-	-	-	2,665,115	-	-	-	5,840,950	8,506,066
At March 31, 2013 (Unaudited Restated)	45,161,415	507,983	(943,361)	3,030,223	(3,610,018)	8,044,189	87,889,819	(250,000)	(7,497,344)	90,550,393	222,883,299

See accompanying Notes to Unaudited Consolidated Financial Statements.

XX AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousand Pesos)

	March 31, 2014 Unaudited	March 31, 2013 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	10,459,118	8,633,442
Adjustments for:		
Interest and other financing charges - net of amount capitalized	2,879,455	2,444,848
Depreciation and amortization	2,151,005	2,145,664
Cost of share-based payments	(24,020)	10,406
Provision for impairment losses	48,639	333,172
Gain on sale of other assets	(49,092)	34,043
Gain on sale of investments	(1,872,665)	-
Other investment income	(107,736)	(35,300)
Interest income	(1,399,332)	(807,452)
Share of profit of associates and joint ventures	(3,145,714)	(3,913,249)
Operating income before changes in working capital	8,939,658	8,845,574
Decrease (increase) in:		
Accounts and notes receivable - trade	(358,975)	(16,708,682)
Inventories	(1,810,961)	(1,637,240)
Other current assets	(1,926,645)	(1,643,395)
Service concession asset	(413,351)	611,764
Increase (decrease) in:		
Accounts payable and accrued expenses	19,927,856	11,157,090
Net pension liabilities	(864,717)	(256,443)
Other current liabilities	1,233,020	3,104,624
Net cash generated from operations	24,725,885	3,473,292
Interest received	1,368,752	629,508
Interest paid	(2,908,977)	(3,480,122)
Income tax paid	(1,483,427)	(1,794,529)
Net cash provided by (used in) operating activities	21,702,233	(1,171,851)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/redemptions of investments in associates and joint venture	6,503,708	-
Disposals of:		
Property, plant and equipment	84,488	7,846
Land and improvements	-	925,191
Maturities (placement) of short-term investments	(8,468,153)	286,503
Deduction in (additions to):		
Investments in associates and joint ventures	(19,545,647)	(339,377)
Investments in bonds, securities and other noncurrent assets	(6,350,323)	-
Land and improvements	(4,744,355)	-
Accounts and notes receivable - non-trade	(3,713,361)	1,588,472
Property, plant and equipment	(2,265,702)	(2,054,980)
Investment properties	(1,667,915)	-
Dividends received from associates, joint ventures and AFS financial assets	3,015,519	1,381,226
Decrease (increase) in other noncurrent assets	(5,004,094)	(2,382,823)
Net cash used in investing activities	(42,155,835)	(587,942)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term and long-term debt	37,497,181	7,219,072
Issuance of common and preferred shares	62,010	4,117
Collections of subscription receivable	973	74,173
Payment of short-term and long-term debt	(6,156,572)	(7,237,906)
Dividends paid	(3,790,241)	(1,320,596)
Service concession obligation paid	(191,071)	(310,886)
Increase (decrease) in:		
Other noncurrent liabilities	(3,028,983)	5,092,407
Noncontrolling interest in consolidated subsidiaries	(899,686)	5,548,396
Net cash provided by financing activities	23,493,611	9,068,777
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,040,009	7,308,984
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	65,655,049	81,777,015
CASH AND CASH EQUIVALENTS AT END OF PERIOD	68,695,058	89,085,999

See accompanying Notes to Unaudited Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2013 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2013.

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

The unaudited condensed consolidated financial statements include the accounts of Ayala Corporation (herein referred to as "the Company") and its subsidiaries collectively referred to as "Group."

The unaudited condensed consolidated financial statements are presented in Philippine Peso (₱), and all values are rounded to the nearest thousand pesos (₱000) except when otherwise indicated.

The unaudited financial statements and other parts of this entire SEC 17Q as of March 31, 2014 include other financial and operating data with respect to Ayala's subsidiaries (Ayala Land, Inc., Integrated Micro-Electronics, Inc., and Manila Water Company, Inc.), associate (Bank of the Philippine Islands) and joint venture (Globe Telecom, Inc.). This SEC 17Q should be read in conjunction with the financial and operating highlights of these subsidiaries, associate and joint venture as contained in their respective SEC17Q as of March 31, 2014.

On May 8, 2014, the Company's Audit and Risk Committee approved and authorized the release of the accompanying unaudited condensed financial statements of Ayala Corporation and Subsidiaries.

2. Significant Accounting Policies

Changes in Accounting Policies

The accounting policies and methods of computations adopted in the preparation of the unaudited condensed financial statements are consistent with those of the previous financial year.

Standards and interpretation issued but not yet effective

The Group will adopt the following new and amended Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) 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.

Effective 2014

PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)

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

Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)

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

Philippine Interpretation IFRIC 21, Levies (IFRIC 21)

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

PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. These amendments are not expected to have a significant impact on the Group's financial position or performance.

PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)

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

Effective 2015

PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)

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

Annual Improvements to PFRSs (2010-2012 cycle)

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

PFRS 2, Share-based Payment – Definition of Vesting Condition

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted) The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The amendment will not have any impact on the Group's financial position or performance.

PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

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

PFRS 13, Fair Value Measurement – Short-term Receivables and Payables

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

PAS 16, Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

PAS 24, Related Party Disclosures – Key Management Personnel

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

PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

PFRS 1, First-time Adoption of Philippine Financial Reporting Standards – Meaning of ‘Effective PFRSs’

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

PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements

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

PFRS 13, Fair Value Measurement – Portfolio Exception

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

PAS 40, Investment Property

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

Standard with No Mandatory Effective Date

PFRS 9, Financial Instruments

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

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately

identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project. The Group, however, will continue to monitor developments in this reporting standard and assess its impact on or need for adoption by the Group.

Interpretation with Deferred Effectivity Date

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 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.

3. Principles of Consolidation

The unaudited condensed consolidated financial statements included the financial statements of the Company and the following wholly and majority owned domestic and foreign subsidiaries:

Subsidiaries	Nature of Business	Effective Percentages of Ownership	
		March 2014 (Unaudited)	December 2013 (Audited)
AC Energy Holdings, Inc. (ACEHI)	Power	100.0	100.0
AC Infrastructure Holdings Corporation (AC Infra)	Transport Infrastructure	100.0	100.0
AC International Finance Limited (ACIFL)*	Investment Holding	100.0	100.0
AG Counselors Corporation (AGCC)	Legal Services	100.0	100.0
Ayala Automotive Holdings Corporation (AAHC)	Automotive	100.0	100.0
Ayala Aviation Corporation (AAC)	Air Charter	100.0	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	48.9	48.9
AYC Finance Ltd. (AYCFL)*	Investment Holding	100.0	100.0
Azalea International Venture Partners, Limited (AIVPL)**	BPO	100.0	100.0
Azalea Technology Investments, Inc. (Azalea Technology)	Information Technology	100.0	100.0
Bestfull Holdings Limited (BHL)***	International	100.0	100.0
Darong Agricultural and Development Corporation (DADC)	Agriculture	100.0	100.0
Integrated Microelectronics, Inc. (IMI)	Electronics Manufacturing	58.7	57.8
Livelt Global Services Management Institute, Inc. (LGSMI)	Education	100.0	100.0
	Water Distribution and		
Manila Water Company, Inc. (MWCI)	Wastewater Services	48.5	48.8
Michigan Holdings, Inc. (MHI)	Investment Holding	100.0	100.0
MPM Noodles Corporation (MPM)	Investment Holding	100.0	100.0
Philwater Holdings Company, Inc. (Philwater)	Investment Holding	100.0	100.0
Purefoods International Ltd. (PFIL)**	Investment Holding	100.0	100.0
Technopark Land, Inc. (TLI)	Real Estate	78.8	78.8
Water Capital Works, Inc. (WCW)	Investment Holding	100.0	100.0

*Incorporated in Cayman Islands

**Incorporated in British Virgin Islands

***Incorporated in Hong Kong

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's investments in subsidiaries is the Philippines.

Except as discussed in subsequent notes, the voting rights held by the Group in its investments in subsidiaries are in proportion to its ownership interest.

Bestfull Holdings Limited

- a. Ayala International Holdings, Ltd. (AIHL), a subsidiary of BHL, acquired an approximately 17 percent ownership interest in GNPowder Mariveles Coal Plant Ltd. Co. (GMCP) under the terms of the Sale and Purchase Agreement that it entered into with an affiliate of a fund advised by Denham Capital. GMCP is the owner of the 600-megawatt coal-fired power plant in Mariveles, Bataan. Total consideration in relation to this transaction amounted to US\$162 million.

Ayala Land, Inc.

- a. On January 24, 2014, ALI entered into a Joint Venture Agreement with AboitizLand, Inc. for the development of an approximately 15-hectare property in Mandaue City into a mixed-used city center. ALI subsequently assigned to its subsidiaries, Cebu Holdings, Inc. and Cebu Property Ventures & Development Corporation, the right to subscribe to ten percent (10%) and five percent (5%), respectively, of the authorized capital stock of the joint venture company that will be established. ALI shall retain the remaining thirty five percent (35%) stake in the joint venture company.
- b. On February 21, 2014, the BOD of ALI approved the following:
 - Declaration of cash dividend on common shares of ₱0.21 per share to stockholders of record as of March 7, 2014.
 - Declaration of annual cash dividends of 4.75% per annum or ₱0.0047 per share on the unlisted voting preferred shares to all shareholders of record as of June 16, 2014
 - Issuance of bonds in the amount of ₱15 billion with a tenor of up to 11 years.
 - Acquisition of 40% interest in Philippine Integrated Energy Solutions, Inc. (PhiEnergy) of Mitsubishi Corporation. PhiEnergy will be a wholly-owned subsidiary of ALI after the transaction.
- c. The Company owns 93.1% of the total preferred shares of ALI as of March 31, 2014 and December 31, 2013. The voting rights held by the Group in ALI as of March 31, 2014 and December 31, 2013 is equal to 70.1%.

AC Energy Holdings, Inc.

- a. On December 16, 2013, AC Energy signed an Investment Agreement with Sithe Global GNPD BV and Power Partners Ltd. Co. for the development of a proposed 2x600MW coal power plant project in Bataan, or in an alternative project site within the island of Luzon.
- b. On January 29, 2014, the AC Group, through AIHL, closed its acquisition of 17.1% stake in GNPowder Mariveles Coal Plant Ltd. Co. (GMCP), the owner of a 600 MW coal-fired plant in Mariveles, Bataan. The stake was purchased for USD 162.1 Million. See Bestfull discussion above.
- c. On January 14, 2014, the Securities and Exchange Commission (SEC) approved the increase in the Authorized Capital Stock of North Luzon Renewable Energy Corp. (NLREC), the project company undertaking the construction of the proposed 81 MW wind farm in Caparispisan, Pagudpud, Ilocos Norte (the "Wind Project"), from 10 million to 6.63 billion divided into 100,000 common shares and 28,945 redeemable preferred shares.

NLREC is the joint venture project company that is jointly owned by AC Energy, UPC Philippines Wind Holdco B.V., a wholly owned subsidiary of UPC Renewables Partners, a developer of wind farm projects across the globe, and the Philippine Investment Alliance for Infrastructure (PINAI), the dedicated infrastructure fund managed by Macquarie Infrastructure Management (Asia) Pty Limited Singapore Branch.

On January 29, 2014, the Group, through AIHL, signed an Option Agreement with DGA NLREC B.V. for the sale of equity interest in Luzon Wind Energy Holdings B.V., a Dutch BV (wholly-owned by AIHL) that holds indirect equity interest in NLREC.

- d. On March 12, 2014, NLREC, entered into an Omnibus Agreement with Rizal Commercial Banking Corporation (RCBC) for a 3 Billion loan facility that has a tenor of 15 years. Loan proceeds will be used to finance the on-going construction of the Project.

- e. Pursuant to the limited partnership agreement of AC Energy and Power Partners Ltd. Co. signed last July 30, 2013, AC Energy provided on March 19, 2014 additional 12 million interest free advances to GN Power Kauswagan Ltd. Co. (GNPK). The advances will be used for pre-development costs of Kauswagan power facility. Advances to GNPK totaled 81.9 million as of March 31, 2014.

AC Infrastructure Holdings Corporation

- a. On January 30, 2014, the Department of Transportation and Communications (DOTC) notified the AF Consortium composed of AC Infrastructure Holdings Corporation, BPI Card Finance Corporation, Globe Telecom, Inc., Meralco Financial Services Corporation, Metro Pacific Investments Corporation and Smart Communications Inc., as the winning bidder for the ₱1.72-billion contactless Automatic Fare Collection System Project (AFCS). The AFCS will upgrade the Light Rail Transit and Metro Rail Transit ticketing system by speeding up payments, reducing queuing time and allowing passengers seamless transfers from one rail line to another.

AC International Finance Limited

- a. As of March 31, 2014 and December 31, 2013, ACIFL, through its wholly-owned subsidiary, AYC Holdings, Ltd., owns 58.7% and 57.8% of IMI, respectively. The voting rights held by the Group in IMI as of March 31, 2014 and December 31, 2013 is equal to 68.5% and 70.2%, respectively.

AYC Finance, Ltd.

- a. In January 2014, AYC Finance Ltd. drew on various loans in with foreign banks, with the Company as a guarantor, for a total of USD 345 million at a rate ranging from 0.87% to 1.39% over the 1-, 3 or 6-months LIBOR at AYCFL's option. The loan covenants covering borrowings outstanding as of December 2013 of AYCFL apply to these new loans in 2014. Please see Note 16 Short-term Loans and Long-term Debt.

Integrated Micro-Electronics, Inc.

- a. On February 17, 2014, the BOD of IMI approved the declaration of the cash dividend on common shares of US\$0.00140 or ₱0.06 per share to stockholders of record as of March 3, 2014.

Azalea International Venture Partners Limited

- a. On January 7, 2014, ARES, PEP and Livelt Investments Ltd. (Livelt), wholly-owned subsidiary of AIVPL and the BPO investment arm of Ayala Corporation, entered into an agreement with Convergys Corporation to sell their 100% combined interest in Stream. Accordingly, the carrying amount of investment in Stream amounting to ₱3.3 billion as of December 31, 2013 is shown as Noncurrent Asset Held for Sale in the consolidated statement of financial position. On March 4, 2014, Livelt achieved financial close in relation to the sale of 100% of its holdings in Stream to Convergys. Livelt realized approximately US\$145 million total net debt and equity proceeds.

Manila Water Company, Inc.

- a. On January 9, 2014, LagunaAAA Water Corporation, a subsidiary of MWCI, signed a Third Omnibus Loan and Security Agreement with the Development Bank of the Philippines through the Philippine Water Revolving Fund amounting to ₱833 million.
- b. On February 20, 2014, the BOD of MWC approved the following:
 - Declaration of cash dividend of ₱0.40 per share on the outstanding common share and ₱0.04 per share on the outstanding participating preferred shares to stockholders of record as of March 6, 2014.
 - Commitment to provide up to 85% of the funding requirements of its corporate social responsibility arm, Manila Water Foundation, Inc.
 - Infusion of additional equity investment in its wholly owned Singapore subsidiary, Manila Water Asia Pacific Pte. Ltd. in the amount of US\$45,000 for its operational purposes
- c. The voting rights held by the Group in MWC as of March 31, 2014 and December 31, 2013 is equal to 79.7% and 79.3%, respectively.

Material partly-owned subsidiaries

The summarized financial information of subsidiaries that have material noncontrolling interest is provided below. These information is based on amounts before intercompany eliminations.

	March 2014 (Unaudited)
Ayala Land, Inc. and Subsidiaries	
<i>(In Million Pesos)</i>	
Current assets	156,275
Non-current assets	190,626
Current liabilities	122,130
Non-current liabilities	110,808
Equity	
Attributable to owners of the parent	98,790
Attributable to non-controlling interest	15,173
Revenue	22,749
Net income	
Attributable to owners of the parent	3,464
Attributable to non-controlling interest	730
Other comprehensive income	(48)

	March 2014 (Unaudited)
Manila Water Co. Inc. and Subsidiaries	
<i>(In Million Pesos)</i>	
Current assets	10,050
Non-current assets	64,602
Current liabilities	8,659
Non-current liabilities	34,295
Equity	
Attributable to owners of the parent	31,144
Attributable to non-controlling interest	554
Revenue	3,827
Net income	
Attributable to owners of the parent	1,431
Attributable to non-controlling interest	3
Other comprehensive income	200

	March 2014 (Unaudited)
Integrated Microelectronics, Inc. and Subsidiaries	
<i>(In Million US\$)</i>	
Current assets	356.5
Non-current assets	148.0
Current liabilities	233.1
Non-current liabilities	79.1
Equity	
Attributable to owners of the parent	195.0
Attributable to non-controlling interest	(2.7)
Revenue	205.7
Net income	
Attributable to owners of the parent	5.0
Attributable to non-controlling interest	(0.1)
Other comprehensive income	(0.4)

As of March 31, 2014, the proportion of ownership interest held by material non-controlling interest of ALI, MWC and IMI are 51.1%, 51.5% and 41.3%, respectively.

4. Cash and Cash Equivalents (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Cash on hand and in banks	25,240,524	22,728,761
Cash equivalents	43,454,534	42,926,288
	68,695,058	65,655,049

Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

5. Short-term Investments (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Money market placements	8,587,498	119,345

Money market placements are short-term investments made for varying periods of more than three months and up to six months and earn interest at the respective short-term investment rates.

As of March 31, 2014, AYC Finance Ltd. has a money market placement with BPI amounting to ₱8.5 billion or US\$190 million earning interest at 1.125% per annum (see Note 21 Related Party Transactions).

6. Accounts and Notes Receivable (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Trade:		
Real estate	40,453,979	39,832,997
Electronics manufacturing	7,849,177	7,286,792
Water distribution and wastewater services	1,527,618	1,645,476
Automotive	1,008,502	985,390
Information technology and BPO	167,661	194,584
International and others	1,881	3,618
Related parties (Note 21)	2,764,963	3,145,472
Dividends Receivable	110	1,412,577
Receivables from officers and employees (Note 21)	279,003	507,042
Advances to contractors and suppliers	8,651,533	8,837,924
Investment in bonds classified as loans and receivables	1,000,000	1,000,000
Advances and others	15,180,460	11,548,513
	78,884,887	76,400,385
Less allowance for doubtful accounts	1,597,629	1,776,400
	77,287,258	74,623,985
Less noncurrent portion	18,334,221	18,282,941
	58,953,037	56,341,044

The aging of the above receivables are summarized in the following table (in million pesos, unaudited):

	Up to 6 months	Over 6 mos to one year	Over one year	Past due	Total
Trade Receivables	21,882	13,186	9,665	6,276	51,009
Non-Trade Receivables	18,551	5,333	2,264	130	26,278
Total	40,433	18,519	11,929	6,406	77,287

The Group's Advances and Others account as of March 31, 2014 increased from year-end 2013 balances mainly driven by ALI's new and existing residential and commercial projects. Provision for Doubtful Accounts amounted to ₱27.1 million and ₱21.8 million (both amounts unaudited) for the periods ended March 31, 2014 and 2013 form part of the Group's General and Administrative Expenses for the period, respectively.

7. Inventories (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
At Cost:		
Condominium, residential and commercial units	26,563,154	26,920,259
Subdivision land for sale	18,205,922	16,854,931
Vehicles	1,118,892	1,171,478
Finished goods	-	354,134
Work-in-process	9,164	432,008
Materials, supplies and others	962,235	1,544,821
	46,859,367	47,277,631
At NRV:		
Subdivision land for sale	524,158	524,158
Finished goods	660,140	316,576
Work-in-process	818,594	176,749
Parts and accessories	105,391	168,451
Materials, supplies and others	3,000,334	1,714,921
	5,108,617	2,900,855
	51,967,984	50,178,486

The Group's provision for impairment losses on inventories for the period ended March 31, 2014 (unaudited) amounting to ₱21.5 million and the net reversal of provision for impairment losses on inventories for the period ended March 31, 2013 amounting to ₱25.4 million, form part of the consolidated General and Administrative Expenses.

8. Other Current Assets (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Financial assets at FVPL	15,379,650	17,916,513
Prepaid expenses	10,225,521	7,708,414
Deposits in escrow	6,526,470	6,743,298
Input VAT	3,310,603	3,660,057
Creditable withholding tax	1,788,823	2,068,934
Derivative assets	925	456,768
Others	896,813	640,036
	38,128,805	39,194,020

Prepaid expenses account increased from December 31, 2013 balances mainly due to expenses paid in full at beginning of the year but will be amortized until year-end. Others include various pre-operating expenses incurred prior to launching of new real estate projects.

9. Land and Improvements

This account consists of properties for future development and improvement eventually for transfer to real estate inventories for sale. This account increased from ₱62,475 million as of December 31, 2013 (audited) to ₱67,219 million as of March 31, 2014 (unaudited) arising from unsubdivided land and certain land acquisitions by the Group.

10. Investments in Associates and Joint Ventures

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of ownership as of March 31, 2014 are as follows:

	Percentage of Ownership		Carrying Amounts (in million pesos)	
	March 2014 (Unaudited)	December 2013 (Audited)	March 2014 (Unaudited)	December 2013 (Audited)
Domestic:				
Bank of the Philippine Islands (BPI)	32.6	32.6	P 61,102	P 52,635
Ayala DBS Holdings, Inc. (ADHI)*	73.8	73.8	33,451	29,072
Globe Telecom, Inc. (Globe)*	30.4	30.4	14,764	15,371
Emerging City Holdings, Inc. (ECHI)*	50.0	50.0	4,258	3,993
South Luzon Thermal Energy Corp. (SLTEC)*	50.0	50.0	3,550	3,070
Philippine Wind Holdings Corporation (PWHC)	75.0	75.0	2,495	2,180
Berkshire Holdings, Inc. (BHI)*	50.0	50.0	2,069	1,955
Asiacom Philippines, Inc. (Asiacom)*	60.0	60.0	1,101	1,097
Bonifacio Land Corporation (BLC)	10.0	10.0	704	1,395
Foreign:				
Stream Global Services, Inc. (Stream) (U.S. Company)	-	28.9	-	3,329
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	49.0	49.0	2,297	2,200
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	47.4	47.4	1,931	1,863
Integreon, Inc. (Integreon)* (British Virgin Islands Company)	58.7	58.7	1,418	1,449
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	31.5	31.5	659	645
VinaPhil Technical Infrastructure Investment Joint Stock Company (VinaPhil) (incorporated in Vietnam)*	49.0	49.0	601	590
Others	Various	Various	3,634	2,289
			134,034	123,133
Reclassification to noncurrent asset held for sale			-	(3,329)
			P 134,034	P 119,804

* Joint ventures

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's investments in associates and joint ventures is in the Philippines.

Except as discussed in subsequent notes, the voting rights held by the Group in its investments in associates and joint ventures are in proportion to its ownership interest.

Bank of the Philippine Islands

- On November 6, 2013, the BOD of BPI approved the offering for subscription of up to 370.4 million common shares of BPI by way of a stock rights offering to eligible registered holders of common shares as of January 16, 2014 at the entitlement ratio of 1 rights share for every 9.602 existing common shares held by such eligible shareholders. The stock rights offer started on January 20, 2014 and ended on January 30, 2014 (see Note 12).
- On November 6, 2013, the BOD of BPI approved the declaration of cash dividend on common shares of ₱0.90 per share to common shareholders of record 15 working days from receipt of approval of the BSP and distributable on the 15th working day from said record date. The BSP approved the dividend declaration on December 6, 2013 to stockholders of record as of January 3, 2014 and payable on January 24, 2014.
- On January 20, 2014, the offer period for the stock rights offering of BPI started at an offer price of ₱67.50 per rights share. The offer period on January 30, 2014 wherein AC, MHI and ADHI participated in the stock rights offering by subscribing to 114.4 million, 7.7 million and 58.9 million common shares, respectively, amounting to ₱7.7 billion, ₱0.5 billion and ₱3.98 billion, respectively.

Globe Telecom Inc.

- On February 10, 2014, the BOD of Globe approved the declaration of the first semi-annual cash dividend on common shares of ₱37.50 per share to stockholders of record as of February 26, 2014.

BPI's Statements of Condition information (in million pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Total Resources	1,214,555	1,195,364
Total Liabilities	1,081,969	1,089,557
Capital Funds Attributable to the Equity Holders of BPI	131,290	104,534
Noncontrolling Interest	1,296	1,273
Total Liabilities and Capital Funds	1,214,555	1,195,364

BPI's Statements of Income information (in million pesos except EPS Figures):

	March 2014 (Unaudited)	March 2013 (Unaudited)
Interest income	10,819	9,926
Other Income	4,182	9,394
Total revenues	15,001	19,320
Operating expenses	6,723	6,600
Interest expense	2,633	2,821
Impairment losses	915	628
Provision for income tax	1,115	800
Total Expenses	11,386	10,849
Net income for the period	3,615	8,471
Attributable to:		
Equity holders of BPI	3,603	8,369
Noncontrolling interest	12	102
	3,615	8,471
EPS:		
Based on 3,929,297,850 shares as of March 31, 2014		
and 3,556,356,173 shares as of March 31, 2013	0.92	2.35

The Company's share in the net identifiable assets of BPI as of March 2014 (unaudited) amounted to ₱43,223 million and no dividends received from BPI for the period ended March 31, 2014. The fair market value of the Company's investment in BPI as of March 31, 2014 amounted to ₱110,036 million.

The Company conducts its telecommunications business through its joint venture entity, Globe. As of March 31, 2014, the Company effectively owned 30.4% of Globe common shares.

Globe's Statements of Financial Position information (in million pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Current Assets	34,842	35,631
Noncurrent Assets	125,187	123,448
Total Assets	160,029	159,079
Current Liabilities	54,310	54,989
Noncurrent Liabilities	66,052	62,451
Equity	39,667	41,639
Total Liabilities and Equity	160,029	159,079

Globe's Statements of Income information (in million pesos except EPS Figures):

	March 2014 (Unaudited)	March 2013 (Unaudited)
Net Operating Revenues	24,360	22,471
Other Income	308	297
Total Revenues	24,668	22,768
Costs and Expenses	20,362	21,902
Provision for Income Tax	1,357	210
Total Expenses	21,719	22,112
Net Income	2,949	656
EPS:		
Basic	22.15	4.88
Diluted	22.13	4.88

As of March 31, 2014

Basic based on 132,676K common shares

Diluted based on 133,284K common shares

As of March 31, 2013

Basic based on 132,417K common shares

Diluted based on 133,233K common shares

The Company's share in the net identifiable assets of Globe as of March 2014 (unaudited) amounted to ₱12,059 million. Dividends received from from Globe for the period ended March 31, 2014 amounted to ₱1,512 million. The fair value of the Company's investment in Globe as of March 31, 2014 amounted to ₱67,094 million.

As of March 31, 2014, the Company's direct ownership in ADHI is equal to 73.8%, while ADHI's direct ownership in BPI is equal to 21.3%. The fair value of BPI shares held by ADHI amounted to ₱72.0 million as of March 31, 2014. The Group and Arran Investment Pte. Ltd. (GICSI), an entity managed and controlled by GIC Special Investments Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.

11. Investments in Bonds and Other Securities (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Quoted/unquoted equity/debt investments	11,849,579	2,784,807

Includes investments made by the Group, through AIHL, in GNPowder Mariveles Coal Plant Ltd. Co. in Q1 2014 (see Note 3).

12. Investment Properties

This comprises completed property and property under construction or re-development that are held to earn rentals, and are not occupied by the companies in the Group. These properties include parcels of land, buildings and other real estate properties. As of March 31, 2014, the account includes Investment in Land - net (P12,877.2 million) and Investment in Buildings – net (P51,316.6 million).

13. Service Concession Assets

The Parent Company has a concession agreement with the DPWH while the MWC Group has concession agreements with MWSS, POL, TIEZA and CDC. These concession agreements set forth the rights and obligations of the Parent Company and MWC Group throughout the concession period.

14. Accounts Payable and Accrued Expenses (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Accounts payable	67,632,575	63,198,549
Accrued expenses		
Project costs	24,705,821	11,983,222
Personnel costs	3,844,757	2,694,816
Rental and utilities	3,081,517	2,330,388
Professional and management fees	2,544,431	1,801,971
Advertising and promotions	966,516	1,115,532
Repairs and maintenance	1,208,694	1,516,026
Various operating expenses	5,130,273	3,230,745
Dividends payable	431,209	2,093,323
Interest payable	2,087,742	2,272,458
Taxes payable	420,235	6,067,957
Related parties (Note 21)	6,280,976	4,107,009
Retentions payable	1,272,138	1,192,251
	119,606,884	103,604,247

Accounts payable and accrued expenses are non-interest bearing and are normally settled on 15- to 60-day terms. Other payables are non-interest bearing and are normally settled within one year.

As of March 31, 2014 (unaudited) and December 31, 2013 (audited), accounts payable includes non-interest bearing liability of the Company to DBS Ltd. in relation to the acquisition of BPI common shares and ADHI Class B common shares amounting to P8.7 billion and P14.2 billion, respectively.

Accrued expenses consist mainly of accruals already incurred but not yet billed for project costs, personnel, rental and utilities, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, subcontractual costs, security, insurance, and representation.

Project costs represent accrual for direct costs associated with the commercial, residential and industrial project development and construction like engineering, design works, contract cost of labor and direct materials. Increase in accrued project costs from December 31, 2013 (audited) balance to P24.7M was due to costs of new and existing projects of ALI group (mainly on the growth of residential and construction segments).

Increase in balances of accounts payable and accrued expenses items from December 31, 2013 (audited) to March 31, 2014 (unaudited) is mainly due to expanded operations of ALI, IMI and MWCI groups.

Taxes payable consists of net output VAT, withholding taxes, business taxes, and other statutory payables, which are payable within one year. The decline in taxes payable was mainly a result of payment during the year of the 2013 taxes which normally have higher balances at year-end.

15. Other Current and Noncurrent Liabilities (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Other current liabilities	6,914,044	10,991,693
Other noncurrent liabilities	21,798,955	24,827,938

Other current liabilities mainly include the following:

- a. Customers' deposits 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.
- b. Nontrade payables mainly pertain to non-interest bearing real estate-related payables to contractors, tenants' deposits, construction bonds and various non-trade suppliers which are due within one year. This account also includes finance lease payable and miscellaneous non-interest bearing non-trade accounts of the Group due within one year.

Other noncurrent liabilities mainly include the following:

- a. Deposits and deferred credits
Deposits include rental deposits that serve as security for any damages to the leased property and which will be refunded at the end of lease term.

Deposits are initially recorded at fair value, which was obtained by discounting future cash flows using the applicable rates of similar types of instruments. The difference between the cash received and its fair value is recorded as deferred credits.

Deferred credits also include prepayments received from customers before the completion of delivery of goods or services.
- b. Retentions payable pertains to amount withheld from the contractors' progress billings which will be later released after the guarantee period, usually one year after the completion of the project. The retention serves as a security from the contractor should there be defects in the project.
- c. Estimated liability on property development pertains to the estimated future development of the sold portion of the real estate inventories.
- d. Provisions relate to pending unresolved claims and assessments. The information usually required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, is not disclosed on the grounds that it can be expected to prejudice the outcome of these claims and assessments.
- e. Others mainly include nontrade payables.

Decrease in other current and non-current liabilities from December 31, 2013 balances (audited) was largely due to ALI group' deposits for construction of golf course.

16. Short-term Debt and Long-term Debt (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Short-term debt:		
Philippine Peso with various interest rates	16,265,033	12,114,451
Foreign Currency with various interest rates	3,568,519	3,696,834
	19,833,552	15,811,285
Long-term debt:		
Company:		
Bank loans with various interest rates	21,148,631	13,193,780
Fixed Rate Corporate Notes (FXCNs)	2,817,320	2,816,443
Bonds, due 2017 to 2027	39,710,136	39,689,874
Syndicated term loan	2,937,648	2,938,575
	66,613,735	58,638,672
Subsidiaries:		
Loans from banks & other financial institutions:		
Foreign currency with various interest rates	47,927,337	32,392,171
Philippine Peso with various interest rates	37,671,088	32,189,740
Bonds, due 2014 to 2033	39,664,000	39,312,675
Floating Rate Corporate Notes (FRCNs)	1,000,000	1,000,000
Fixed Rate Corporate Notes (FXCNs)	24,290,092	26,336,604
	150,552,517	131,231,190
	217,166,252	189,869,862
Less current portion	12,003,010	11,842,519
	205,163,242	178,027,343

As of March 31, 2014, total proceeds from availment of short-term and long-term debt amounted to ₱37.5 billion which mainly consists of proceeds from loans of AC (₱8.0 billion as also discussed in Note 21 Related Party Transactions) ALI (₱12.1 billion), AYCFL (₱15.4 billion or US\$ 345 million as also discussed in AYC Finance Ltd. in Note 3) and AAHC (₱2.1 billion) while payments of short-term and long-term debt amounted to ₱6.2 billion which mainly pertains to loan payment of ALI (₱5.0 billion) and AAHC (₱1.2 billion).

17. Equity

Details of the Company's paid-up capital (in thousand pesos):

	Preferred Stock- A	Preferred Stock- B	Preferred Stock-Voting	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-up Capital
As of January 31, 2013 (Audited)	1,200,000	5,800,000	200,000	29,821,726	150,176	13,432,506	(438,279)	50,166,129
Exercise/Cancellation of ESOP/ESOWN	-	-	-	5,412		56,598	973	62,983
Reissuance of Treasury Stock								-
As of March 31, 2014 (Unaudited)	1,200,000	5,800,000	200,000	29,827,138	150,176	13,489,104	(437,306)	50,229,112
As of January 31, 2013 (Audited)	1,200,000	5,800,000	200,000	29,783,010	160,652	8,457,871	(481,601)	45,119,932
Exercise/Cancellation of ESOP/ESOWN	-	-	-	38,716	(10,476)	215,776	43,322	287,338
Reissuance of Treasury Stock						9,558,859		9,558,859
Redemption of preferred shares						(4,800,000)		(4,800,000)
As of December 31, 2013 (Audited)	1,200,000	5,800,000	200,000	29,821,726	150,176	13,432,506	(438,279)	50,166,129

The Group's reconciliation of Retained Earnings available for dividend declaration shows the following as of March 31, 2014 and December 31, 2013 (in thousand pesos):

	March 2014 (Unaudited)	December 2013 (Audited)
Consolidated retained earnings balance	98,111,215	92,639,781
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	(67,680,009)	(64,307,340)
Treasury shares	(5,000,000)	(5,000,000)
Retained Earnings available for dividends	25,431,206	23,332,441

There was no dividends declared by the Company as of March 31, 2014 while table below shows the details on the dividends declared as of December 31, 2013:

<i>(in thousand pesos except dividends per share)</i>	December 2013 (Audited)
Dividends to common shares:	
Cash dividends declared	2,877,477
Cash dividends per share	P4.80
Dividends to equity preferred shares declared	
Cash dividends to Preferred B shares	525,000
Cash dividends to Voting Preferred shares	3,750

18. Earnings Per Share

The following table presents information necessary to calculate EPS:

<i>(In thousand pesos except per share amounts)</i>	March 2014 (Unaudited)	March 2013 (Unaudited)
Net Income	5,471,433	4,506,815
Less: Dividends on Preferred Shares	(133,200)	133,200
	5,604,633	4,373,615
Less: Dilutive effect of Options issued by subsidiaries, associates and joint ventures	2,409	4,699
	5,602,225	4,368,916
Weighted average number of common shares	599,514	593,739
Dilutive shares arising from stock options	2,719	4,342
Adjusted weighted average number of common shares for diluted EPS	602,233	598,081
Basic EPS	9.35	7.37
Dilutive EPS	9.30	7.30

19. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the primary segment reporting format is by business segment.

For management purposes, the Group is organized into the following business units:

- Real estate and hotels - planning and development of large-scale fully integrated residential and commercial communities; development and sale of residential, leisure and commercial lots and the development and leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of upper middle-income

and affordable housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.

- Financial services and bancassurance - universal banking operations, including savings and time deposits in local and foreign currencies; commercial, consumer, mortgage and agribusiness loans; leasing; payment services, including card products, fund transfers, international trade settlement and remittances from overseas workers; trust and investment services including portfolio management, unit funds, trust administration and estate planning; fully integrated bancassurance operations, including life, non-life, pre-need and reinsurance services; internet banking; on-line stock trading; corporate finance and consulting services; foreign exchange and securities dealing; and safety deposit facilities.
- Telecommunications - provider of digital wireless communications services, wireline voice communication services, consumer broadband services, other wireline communication services, domestic and international long distance communication or carrier services and mobile commerce services.
- Electronics - electronics manufacturing services provider for original equipment manufacturers in the computing, communications, consumer, automotive, industrial and medical electronics markets, service provider for test development and systems integration and distribution of related products and services.
- Information technology and BPO services - venture capital for technology businesses and emerging markets; provision of value-added content for wireless services, on-line business-to-business and business-to-consumer services; electronic commerce; technology infrastructure hardware and software sales and technology services; and onshore and offshore outsourcing services in the research, analytics, legal, electronic discovery, document management, finance and accounting, IT support, graphics, advertising production, marketing and communications, human resources, sales, retention, technical support and customer care areas.
- Water utilities - contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery services and sewerage services in the East Zone Service Area.
- Automotive - manufacture and sale of passenger cars and commercial vehicles.
- International - investments in overseas property companies and projects.
- Others - power and infrastructure, air-charter services, agri-business and others.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated in consolidation.

The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

The following tables present revenue and net income information regarding business segments for the nine months ended March 31, 2014 and 2012 and total assets and total liabilities for the business segments as of March 31, 2014 and December 31, 2013:

March 2014 (Unaudited)

(in million pesos)

	Parent Company	Real Estate and Hotels	Financial Services and Bancassurance	Telecom munications	Water Utilities	Electronics	Information Technology and BPO Services	International	Automotive and Others	Intersegment Eliminations	Consolidated
INCOME											
Sales to external customers	26	20,946	-	-	3,659	9,227	406	32	2,838		37,133
Intersegment	12	(26)	-	-	-	0	-	-	34	(20)	-
Equity in net earnings of associates and jointly controlled entities	(154)	479	1,871	914	87	-	(49)	-	(2)	-	3,146
Interest income	59	1,132	-	-	21	4	15	168	0	(0)	1,399
Other income	94	161	-	-	771	38	1,777	56	138	(38)	2,997
Total income	37	22,692	1,871	914	4,538	9,269	2,149	256	3,008	(58)	44,675
Operating Expenses	557	15,908	-	-	1,916	8,926	461	84	2,972	(102)	30,721
Operating profit	(520)	6,784	1,871	914	2,621	343	1,688	172	36	44	13,954
Interest expense and other financing charges	1,039	1,385	-	-	405	31	6	2	12	(0)	2,879
Other charges	-	-	-	-	594	19	-	-	2	-	616
Provision for income tax	14	1,320	-	-	348	70	10	1	27	(4)	1,787
Net income	(1,572)	4,078	1,871	914	1,273	222	1,673	169	(5)	48	8,672
OTHER INFORMATION											
Segment Assets	96,228	331,518	-	-	87,113	23,105	2,957	17,119	5,106	(57,074)	506,072
Investments in associates and jointly controlled entities	115,776	9,959	-	-	4,888	-	2,480	601	331	-	134,034
Deferred tax assets	94	5,766	-	-	863	25	27	-	79	-	6,854
Total Assets	212,098	347,243	-	-	92,864	23,130	5,463	17,720	5,516	(57,074)	646,960
Segment liabilities	(90,633)	(231,282)	-	-	(41,680)	(14,314)	(242)	9,176	(2,740)	(26,178)	(397,892)
Deferred tax liabilities	(88)	(1,046)	-	-	(4,700)	(137)	(1)	(31)	(7)	-	(6,010)
Total Liabilities	(90,720)	(232,328)	-	-	(46,380)	(14,451)	(243)	9,145	(2,747)	(26,178)	(403,902)

March 2013 (Unaudited)

(in million pesos)

	Parent Company	Real Estate and Hotels	Financial Services and Bancassurance	Telecom munications	Water Utilities	Electronics	Information Technology and BPO Services	International	Automotive and Others	Intersegment Eliminations	Consolidated
INCOME											
Sales to external customers	18	18,142	-	-	3,490	6,704	353	135	3,047		31,889
Intersegment	32	(215)	-	-	38	-	-	-	39	106	-
Equity in net earnings of associates and joint ventures	(5)	69	3,683	217	69	-	(123)	(2)	5	-	3,913
Interest income	260	418	-	-	49	3	16	77	1	(17)	807
Other income	(18)	101	-	-	1,245	49	0	(3)	82	-	1,456
Total income	287	18,515	3,683	217	4,891	6,756	246	207	3,174	89	38,065
Operating Expenses	537	13,025	-	-	1,845	6,764	377	155	3,125	76	25,904
Operating profit	(250)	5,490	3,683	217	3,046	(8)	(131)	52	49	13	12,161
Interest expense and other financing charges	947	1,033	-	-	416	31	4	22	9	(17)	2,445
Other charges	0	-	-	-	1,101	(24)	6	-	-	-	1,083
Provision for income tax	73	1,272	-	-	325	8	5	1	14	10	1,708
Net income	(1,270)	3,185	3,683	217	1,204	(23)	(146)	29	26	20	6,925

December 2013 (Audited)

(in million pesos)

Other information

Segment Assets	112,147	308,789	-	-	85,277	21,240	6,751	9,926	4,512	(75,296)	473,346
Investments in associates and joint ventures	102,349	9,319	-	-	4,708	-	2,504	590	334	-	119,804
Deferred tax assets	94	5,485	-	-	821	29	3	-	82	-	6,514
Total Assets	214,590	323,593	-	-	90,806	21,269	9,258	10,516	4,928	(75,296)	599,664
Segment liabilities	(83,315)	(211,065)	-	-	(40,646)	(12,642)	(120)	2,112	(2,309)	(9,862)	(357,847)
Deferred tax liabilities	(83)	(1,307)	-	-	(4,759)	(138)	(2)	(47)	(11)	-	(6,347)
Total Liabilities	(83,398)	(212,372)	-	-	(45,405)	(12,780)	(122)	2,065	(2,320)	(9,862)	(364,194)

20. Financial Instruments

Fair Value of Financial Instruments

The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets at FVPL - Fair values of investment securities are based on quoted prices as of the reporting date. For other investment securities with no reliable measure of fair value, these are carried at its last transaction price.

Derivative instruments - The fair value of the freestanding currency forwards is based on counterparty valuation. The embedded call and put options of IMI were valued using the binomial option pricing model. This valuation technique considers the probability of PSI's share price, which is based on a 5-year discounted cash flow valuation, to move up or down depending on the volatility, the risk free rate and exercise price that is based on a 12-month trailing EBITDA. Valuation inputs such as discount rates were based on credit adjusted interest rates while interest rate volatility was computed based on historical rates or data.

Noncurrent trade and nontrade receivables - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

AFS quoted equity investments - Fair values are based on the quoted prices published in markets.

AFS unquoted equity investments - Fair value of equity funds are based on the net asset value per share. For other unquoted equity shares where the fair value is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of suitable method of arriving at a reliable fair value, these are carried at cost less impairment, if any.

AFS unquoted debt investments - Fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

Accounts payable and accrued expenses, customers' deposits, short-term debt and current portion of long-term debt and service concession obligation - The fair values of accounts payable and accrued expenses and short-term debt approximate the carrying amounts due to the short-term nature of these transactions.

Customers' deposits - non-current - The fair values 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 fair value of noncurrent other financial liabilities (fixed rate and variable rate loans repriced on a semi-annual/annual basis and deposits) are estimated using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

Fair Value Hierarchy

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As of March 31, 2014, there were no transfers made by the Group.

Financial Risk Management

General

Risk is inherent in our business; thus, the effective management of risk is vital to the strategic and sustained growth of the Company and the Ayala Group.

The Ayala Group adopts a formal risk management process as an essential element of sound corporate governance and an integral part of good management practice. It is designed primarily to have a structured and disciplined approach of aligning strategy, processes, people, technology, and knowledge with the purpose of evaluating and managing the uncertainties the Group faces as it creates value for all stakeholders.

Enterprise Risk Management (ERM) policies and programs are in place, in accordance with an internationally recognized standards and framework. These are periodically reviewed and improved to adapt to changes in the business and operating environment, and be responsive to emerging and changing risks. The risk management framework encompasses the identification and assessment of risks drivers; measurement of risks impact; formulation of risk management strategies; assessment of risk management capabilities required to implement risk management strategies; design and implementation of risk management capability-building initiatives; and monitoring and evaluating the effectiveness of risk mitigation strategies and management performance. And as a continuous process, areas and opportunities for improvement in the risk management process are identified. Also included in the continuous improvement program, the Group aims to strengthen its ERM practices and benchmark with industry best practices to ensure they remain relevant, effective, and a key enabler in the achievement of business strategies and objectives.

Our Chief Risk Officer (CRO) is the ultimate champion of enterprise risk management of the Group and oversees the entire risk management function. The Group Risk Management Unit provides support to the CRO and drives the implementation and continuous improvement of the risk management process. The Unit also provides oversight and assistance to the Ayala group of companies' risk management functions.

The Audit and Risk Committee provides oversight to the risk management process in compliance with the Audit and Risk Committee Charter. The CRO and the Group Risk Management Unit submit risk management reports to the committee on a quarterly basis, focusing on the implementation of risk management strategies and action plans for the identified top risks of the Ayala group, any emerging risks, and developments in risk management. The CRO and the Group Risk Management Unit report the same to the Ayala Corp and Ayala Group Mancom at least twice a year.

The Board monitors the effectiveness of risk management through the regular updates on strategic and operational risks facing the Group from management and reports from the Audit and Risk Committee. The company's internal auditors monitor the compliance with risk management policies to ensure that an effective control environment exists within the entire Ayala group.

The Ayala Group continues to monitor and manage its financial risk exposures in accordance with Board approved policies. The succeeding discussion focuses on Ayala Group's financial risk management.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise financial assets at FVPL, AFS financial assets, 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 cash and cash equivalents, short-term investments, accounts and notes receivables and accounts payable and accrued expenses which arise directly from its operations.

The Group's main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, price risk, liquidity risk, and credit risk. The Group also enters into derivative transactions, the purpose of which is to manage the currency risks arising from its financial instruments.

The Group's risk management policies are summarized below:

Interest Rate Risk

The Group's exposure to market risk for changes in Interest rates relates primarily to the Company's and its subsidiaries' long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

Foreign Exchange Risk

The Group's foreign exchange risk results primarily from movements of the Philippine Peso (₱) against foreign currencies. The Group may enter into foreign currency forwards and foreign currency swap contracts in order to hedge its foreign currency obligations.

The second and third columns of the table below summarizes the Group's exposure to foreign exchange risk as of March 31, 2014. The fourth and fifth columns of the table demonstrates the sensitivity to a reasonably possible change in the peso 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 (in thousands).

March 31, 2014				
Foreign currency	Net asset (liabilities)	PHP equivalent	Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax
United States Dollar (USD)	(430,685)	(19,301,130)	1.00 (1.00)	(430,685) 430,685
Japanese Yen (JPY)	(8,991,926)	(3,933,753)	1.00 (1.00)	(8,991,926) 8,991,926
Chinese RMB (RMB)	203,403	1,481,693	1.00 (1.00)	203,403 (203,403)
Singapore Dollar (SGD)	31,192	1,105,405	1.00 (1.00)	31,192 (31,192)
Euro (EUR)	1,963	121,066	1.00 (1.00)	1,963 (1,963)
Hongkong Dollar (HKD)	53,827	310,907	1.00 (1.00)	53,827 (53,827)
Vietnam dong (VND)	27,993,910	59,921	1.00 (1.00)	27,993,910 (27,993,910)
Czech Koruna (CZK)	(38,357)	(86,292)	1.00 (1.00)	(38,357) 38,357
Malaysian Rupee (MYR)	4,143	56,343	1.00 (1.00)	4,143 (4,143)
Mexican Peso (MXN)	39,342	134,825	1.00 (1.00)	39,342 (39,342)

There is no other impact on the Group's equity other than those already affecting the net income.

Equity price risk

AFS financial assets are acquired at certain prices 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, the country's economic performance, political stability, and domestic inflation rates, these prices change, reflecting how market participants view the developments. The Group's investment policy requires it to manage

such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each sector and market.

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 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 seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues, both on-shore and off-shore.

Credit Risk

Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's holding of cash and short-term investments and receivables from customers and other third parties exposes the Group to credit risk of the counterparty. Credit risk management involves dealing with institutions for which credit limits have been established. The Group's Treasury Policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties. The Group has a well-defined credit policy and established credit procedures.

21. 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. Related parties may be individuals or corporate entities.

There has not been any material transaction during the last two years, or proposed transaction, to which Ayala was or is to be a party, in which any of its Directors or Executive Officers, any nominee for election as a Director or any security holder identified in this condensed interim financial information had or is to have a direct or indirect material interest.

The Group, in its regular conduct of business, has entered into transactions with Associates, Joint Ventures and other related parties principally consisting of advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal market prices and terms.

Highlights of related party transactions follow:

Transactions with BPI

The Group maintains current and savings account, money market placements and other short-term investments with BPI amounting to ₱41.2 billion and ₱38.5 billion, as of March 31, 2014 (unaudited) and December 31, 2013 (audited), respectively. The March 31, 2014 balance includes ₱8.5 billion or US\$190 million placement of AYC Finance with BPI. It also has short-term and long-term debt payable to BPI amounting to ₱32.6 billion and ₱23.2 billion as of March 31, 2014 (unaudited) and December 31, 2013 (audited), respectively. The March 31, 2014 balance includes ₱8.0 billion loans obtained by AC parent company in Q1 2014. The loans have various maturities from 2013 up to 2018 and bear interest at varying prevailing market rates.

Receivables from Related Parties

The Group has ₱2,765.0 million and ₱3,145.5 million receivables from related parties as of March 31, 2014 (unaudited) and December 31, 2013 (audited) respectively. The balances pertain mostly to interest and non-interest bearing advances with various maturities from 30 days to two (2) years. Advances include certain residential development projects which become due as soon as the projects are completed. The receivables also include certain trade receivables arising from automotive and other sales. This account also includes other receivables relating to reimbursement of operating expenses like management fees, among others. The trade and other receivables are unsecured, interest free, will be settled in cash and are due and demandable.

Receivables from Officers and Employees

The Group has ₱279.0 million and ₱507.0 million receivables from officers and employees as of March 31, 2014 (unaudited) and December 31, 2013 (audited), respectively. These pertain to housing, car, salary and other loans granted to the Group's officers and employees, which are collectible through salary deduction, are interest bearing ranging from 6.0% to 13.5% per annum and have various maturity dates ranging from 2014 to 2026.

Payables to Related Parties

The Group has payables to various related parties amounting to ₱6,281.0 million and ₱4,107.0 million as of March 31, 2014 (unaudited) and December 31, 2013 (audited), respectively. These payables include: a) cost of lots for joint development projects; b) purchased parts and accessories and vehicles; and c) advances and reimbursements for operating costs. These are all interest-free, unsecured, will be settled in cash. Maturities of these payables range from 15 days to one year, with some accounts due and demandable.

Income and Expenses

The group realized total income of ₱117.7 million from related parties and incurred total expenses of ₱114.7 million for the period ending March 31, 2014. These consist of, among others, income from real estate, automotive sales, professional services and interest/financing as well as expenses on interest, water utilities, communications and professional fees.

Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Ayala Corporation's consolidated income in the first quarter of 2014 reached P44.7 billion, 17% higher than the same period in 2013. Sale of goods and rendering services accounted for 83% of total income during the quarter and amounted to P37.1 billion, up 16% year-on-year. This was mainly driven by the improved sales performance of Ayala Land, Inc. which reported strong revenue growth across all its business segments. The robust increase in revenues of Integrated Microelectronics, Inc.'s (IMI) driven by the improvement in demand across its China, Europe, Mexico, and Philippine operations, and slightly higher revenues from Manila Water Co. also drove sale of goods and services higher.

Attributable consolidated net income rose by 22% in the first quarter of the year to P5.5 billion from P4.5 billion in the same period last year.

Real Estate

Ayala Land maintained solid growth. Total revenues for the first quarter reached P22.7 billion, a 23% increase year-on-year. Property development revenues which amounted to P13.5 billion accounted for 59% of total revenues. This was driven mainly by higher residential sales as demand remained strong. Residential sales rose by 36% to P11.2 billion as a result of higher bookings and steady project completion. Commercial leasing revenues also increased strongly by 29% to P5.3 billion. The launch of new malls and offices combined with higher average effective rent underpinned the growth. Revenues from hotels and resorts, which grew by 47%, also contributed to recurring lease revenues. Strong top-line growth coupled with stable margins across products resulted in a 25% increase in net income to P3.5 billion.

Water

Manila Water posted revenues of P3.8 billion, 5% higher year-on-year. Cost of services and operating expenses increased by 8% due to higher utility and manpower costs. This put earnings before income taxes, depreciation, and amortization to P2.8 billion, 4% higher year-on-year. Net income for the quarter grew by 7% to P1.4 billion. New concessions outside the East Zone continued to post significant earnings with Laguna Water doubling net income year-on-year, Boracay Water up 57%, and Clark Water reporting stable earnings.

Electronics

IMI posted a 25% growth in revenues year-on-year to US\$206 million due to improved sales from its China, Europe, and Philippine operations. Improved operations, particularly in China, were a result of increased demand from customers in the telecommunications infrastructure market. IMI China contributed 36% of revenues, up 29% versus last year. Europe and Mexico operations also grew robustly by 22% year-on-year, while revenues from the Philippine operations increased by 29%. Higher sales and improved production efficiency resulted in a seventeen-fold increase in net income to US\$5 million during the quarter.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures during the period amounted to P3.1 billion, 20% lower year-on-year mainly due to lower equity earnings from the banking unit, Bank of the Philippine Islands (BPI). BPI reported lower net income in the first quarter this year in the absence of significant trading gains during the period compared to the first quarter last year.

Banking

BPI posted a net income of P3.6 billion for the first quarter, 57% lower than last year's P8.4 billion as the bank recorded significant trading gains last year. Its core banking business, however, continued to grow strongly with net interest income up 15% year-on-year to P8.1 billion. Non-interest income, excluding trading gains, also grew healthily by 16% year-on-year to P4.3 billion. The bank's core lending and deposit businesses experienced strong growth. Net loans increased by 25% to P642 billion while total deposits reached P993 billion, a 32% increase against the prior year. Notwithstanding the increase in the bank's loan portfolio, the bank's gross 90-day non-performing

loan ratio dropped to 1.89% during the quarter. The bank's capital adequacy ratio remains strong at 15.7% following the company's P25 billion stock rights issue in January 2014.

Telecommunications

Telecom unit, Globe Telecom, maintained its revenue growth momentum in the first quarter. Consolidated service revenues grew by 9% to P23.2 billion with growth evident across all business lines. Mobile revenues rose by 8% on the back of broad-based subscriber growth. Total mobile subscribers as of the end of the quarter reached nearly 41 million, 16% higher than first quarter 2013 level. Continued demand for data has driven growth across mobile data services, broadband, and fixed line data segments. Broadband revenues also increased by 12% year-on-year. The strong revenue growth was offset by the increase in operating expenses which kept EBITDA stable at P8.8 billion. Globe's reported net income increased 4.5 times to P2.9 billion as accelerated depreciation charges declined significantly during the period compared to the first quarter of 2013 as network modernization was substantially completed last year. Excluding the impact of accelerated depreciation charges, core net income was up 9% to P3.4 billion from P3.1 billion in the first quarter of 2013.

Interest Income

Higher investible funds following the fund raising activities of the parent company and Ayala Land resulted in higher interest income during the period which increased by 73% to P1.4 billion.

Costs and Expenses

Consolidated cost of sales and rendering services increased by 18% to P27 billion in line with the growth in sales. Consolidated general and administrative expenses increased by 21% to P3.7 billion, mainly due to higher manpower costs across Ayala Land, IMI, and operating costs at the Auto group related to the start-up of the Volkswagen operations.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 18% to P2.9 billion mainly due to higher debt levels as of year-end 2013 and additional borrowings in the first quarter of 2014. As of March 2014, total debt increased by 15% from year-end 2013 as Ayala Land incurred new loans for landbanking and expansion purposes. At the parent level, debt also increased to fund new business initiatives in the energy and transport infrastructure sectors and the investment in the banking unit. Total debt as of end March 2014 was at P237 billion. Notwithstanding the higher debt levels, gearing ratios remain comfortable and well within limits with Ayala Land's consolidated debt to equity ratio at 1.1 to 1 and Ayala Corp. consolidated debt to equity ratio at 1.59 to 1.

Balance Sheet Highlights

Consolidated cash and cash equivalents increased by 17% to P77.3 billion from the year-end 2013 level of P65.8 billion. This was mainly due to new borrowings drawn by Ayala Corp parent company, Ayala Land's subsidiaries, as well as Manila Water in the first quarter of the year.

Other current assets increased by P3.3 billion to P149 billion. This was due to higher accounts receivables from Ayala Land as revenues increased by 15%. Inventories also increased as new residential units were completed. IMI likewise registered an increase in accounts receivables and inventories from its China and Philippine operations.

Total non-current assets rose by 8% to P420 billion from P388 billion at the beginning of the year. This was primarily due to the increased investment of Ayala Corp in BPI through the stock rights, investments in various power projects, Ayala Land's increased investment in land acquisitions as well as additional investments in real properties.

On the liabilities side, total short term and long-term debt reached P237 billion, 15% higher than year-end 2013 level of P205.7 billion. This was due to new draw downs from credit facilities by Ayala Corp at the parent level as well as higher borrowings by Manila Water and Ayala Land's subsidiaries to fund its on-going projects.

Total stockholders' equity reached P243 billion, P7.6 billion higher than the start of the year mainly as a result of higher earnings during the period.

Consolidated current ratio and debt to equity ratio remained healthy at 1.4x and 1.6x, respectively as of the end of March 2014. Consolidated net debt to equity ratio was at 1.07 to 1 while net debt to equity at the parent level was at 0.43 to 1.

Key Performance indicators:

For the balance sheet items (current ratio and debt to equity ratios), the Company aims to maintain for its current ratio not to be lower than 0.5:1 and for its debt to equity ratio not to exceed 3:1. The company and its subsidiaries' ratios are considered better than these levels as a result of responsive yet prudent debt management policies.

The key performance indicators (consolidated figures) that the Group monitors are the following:

Ratio	Formula	March 2014 (Unaudited)	December 2013 (Audited)	
Liquidity Ratio	$\frac{\text{Cash/ Cash equivalents} + \text{Short-term cash investments}}{\text{Current Liabilities}}$	0.48	0.45	
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.40	1.46	
Solvency Ratio	$\frac{\text{After-Tax Net Profit} + (\text{Depreciation} + \text{Amortization}) + \text{Provision for Bad Debts}}{\text{Total Liabilities}}$	0.02	0.02	*
Debt-to-Equity Ratio	$\frac{\text{Long-term Loans} + \text{Short Term Loans}}{\text{Equity Attributable to Owners of the Parent}}$	1.59	1.43	
Assets- to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity Attributable to Owners of the Parent}}$	4.34	4.18	
Interest Rate Coverage Ratio	$\frac{\text{EBITDA}}{\text{Interest Expense}}$	5.38	5.41	*
Return on Common Equity	$\frac{\text{Net Income to Owners of the Parent}}{\text{Common Equity Attributable to Owners of the Parent (Average)}}$	4.0%	3.7%	*
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	1.3%	1.3%	*

* Based on Unaudited March 31, 2013.

2.1 Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

The Group does not expect any liquidity problems and is not in default of any financial obligations. The Group complied with the existing loan covenants and restrictions as of March 31, 2014.

2.2 Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

- 2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

None

- 2.4 Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

For 2014, Ayala Corporation earmarked P49 billion in capital expenditures at the parent level to continue its investment programs in its core holdings and new businesses. Nearly half of this amount will be used to fund the Company's additional stake in the BPI which it has acquired over the past two years. Thirty percent is allocated to its power investments, while 6% is allotted to its transport infrastructure portfolio. The rest is set aside for other investments, including auto and education.

As of the first three months of the year, Ayala has spent 57% of the P49 billion, a significant portion of which was used to support its investments in BPI and ACEHI. The capital expenditures will be funded through a combination of internally-generated cash and debt.

For the year 2014, Ayala Land's consolidated budget for project and capital expenditures amount to P70.0 billion. This will be financed through a combination of internally-generated funds, borrowings and pre-selling.

For the first three months of 2014, consolidated project and capital expenditures amounted to P16.4 billion, about 23% of the projected P70.0 billion budget for the whole year. About 54% was spent for residential projects, 29% for land acquisition, 12% for shopping centers, 2% for offices, 1% for hotels and resorts, with the balance spent on support businesses. For the reporting period, capital spending was approved for the development of High Street South Corporate Center in Bonifacio Global City and Elaro in Nuvali.

MWCI targets to spend around ₱5 billion capital expenditures in 2014 for the rehabilitation and construction of facilities to improve water and sewer services in the East Zone Service Area, subject to rate rebasing review and government approvals. Capital Expenditures will be funded from the current cash reserves, internal funds generation and proceeds of available loan facilities.

- 2.5 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

The Company's and its subsidiaries' performance will continue to hinge on the overall economic performance of the Philippines and other countries where its subsidiaries operate. Interest rate movements may affect the performance of the real estate, banking and automotive groups, including the Company.

- 2.6 Any significant elements of income or loss that did not arise from the registrant's continuing operations

None

- 2.7 There were no material changes in estimates of amounts reported in prior interim period of the current financial year and interim period of the prior financial year, respectively.

None

- 2.8 Causes for any material changes
(Increase or decrease of 5% or more in the financial statements)

Balance Sheet Items

As of March 31, 2014 (Unaudited) vs. December 31, 2013 (Audited)

Cash and cash equivalents – 5% increase from ₱65,655 million to ₱68,695 million

Increase attributable to the Company, ALI, MWCI and AYC Finance's proceeds from loan availments and Livelt's proceeds from divestment of Stream. These were offset by the Group's

loan payments, additional shares subscription in BPI and infusion in power initiatives. This account is at 11% of the total assets as of March 31, 2014 and December 31, 2013.

Short-term investments – 70 times higher from ₱119 million to ₱8,587 million

Increase due to proceeds from Livelt's divestment of Stream. This account is at 1% and less than 1% of the total assets as of March 31, 2014 and December 31, 2013, respectively.

Accounts and notes receivable (current) – 5% increase from ₱56,341 million to ₱58,953 million

Mainly due to higher sales from across residential brands, new project launches and existing project sales of ALI group and significant growth of revenues from all sites of IMI group. This account is at 9% of the total assets as of March 31, 2014 and December 31, 2013.

Noncurrent asset held for sale – 100% decrease from ₱3,329 million to zero balance

Due to the Livelt's divestment of Stream in March 2014.

Investments in bonds and other securities – 326% increase from ₱2,785 million to ₱11,850 million

Mainly attributable to investments made by the Group, through AIHL, in GNPow. This account is at 2% and less than 1% of the total assets as of March 31, 2014 and December 31, 2013, respectively.

Land and improvements – 8% increase from ₱62,475 million to ₱67,219 million

Increase due to ALI group's unsubdivided land and certain land acquisitions. This account is at 10% of the total assets as of March 31, 2014 and December 31, 2013.

Investments in associates and joint ventures – 12% increase from ₱119,804 million to ₱134,034 million

Mainly attributable to Group's additional shares subscription in BPI through stock rights offering and infusion in power projects. This account is at 21% and 20% of the total assets as of March 31, 2014 and December 31, 2013, respectively.

Deferred tax asset - 5% increase from ₱6,514 million to ₱6,854 million

Increase mainly attributable to ALI group's higher deferred tax asset. This account is at 1% of the total assets as of March 31, 2014 and December 31, 2013.

Pension and other noncurrent assets - 60% increase from ₱8,016 million to ₱12,864 million

Increase mainly attributable to ALI group's higher pre-operating expenses and down payments pertaining to new projects. The account also includes the Group's pension asset.¹ This account is at 2% and 1% of the total assets as of March 31, 2014 and December 31, 2013, respectively.

Accounts payable and accrued expenses - 15% increase from ₱103,604 million to ₱119,607 million

Increase mainly caused by higher trade payables and accruals of ALI group for its additional and existing projects. Also attributed to the increase is the higher trade payables and accruals by MWCI and IMI groups pertaining to their expanded operations. This account is at 30% and 28% of the total liabilities as of March 31, 2014 and December 31, 2013, respectively.

Short-term debt – 25% increase from ₱15,811 million to ₱19,834 million

Mainly due to the additional loans made by ALI group. This account is at 5% and 4% of the total liabilities as of March 31, 2014 and December 31, 2013, respectively.

Income tax payable – 42% increase from ₱1,668 million to ₱2,370 million

Due to higher tax payable by ALI and MWCI groups. As a percentage to total liabilities, this account is at less than 1% as of March 31, 2014 and December 31, 2013.

¹ The Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Company, governed by a board of trustees appointed under a Trust Agreement between the Company and the initial trustees. It holds common and preferred shares of the Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by certain persons that are beneficiaries of the fund, appointed by the fund's trustees for that purpose. These persons have the ability to exercise voting rights over the shares in its holdings. These persons are Delfin C. Gonzalez, Jr. (who is the Company's Managing Director & Chief Finance Officer) and Solomon M. Hermosura (who is the Company's Managing Director, Group Head of Corporate Governance, General Counsel, Corporate Secretary & Compliance Officer). ACEWRF has not exercised voting rights over any shares of the Company that it owns.

Other current liabilities – 37% decrease from ₱10,992 million to ₱6,914 million

Decrease pertains mainly to ALI group's lower payable to various contractors, deposits from residential assets and retention payable from projects. This account is at 2% and 3% of the total liabilities as of March 31, 2014 and December 31, 2013, respectively.

Long-term debt (noncurrent) – 15% increase from ₱178,027 million to ₱205,163 million

Mainly due to new borrowings made by the Company, through AYC Finance, to fund investments in power; loan availments made by ALI and MWCI groups for expansion projects; and directly by the Company to fund additional subscription in BPI. This account is at 51% and 49% of the total liabilities as of March 31, 2014 and December 31, 2013, respectively.

Deferred tax liabilities – 5% decrease from ₱6,347 million to ₱6,010 million

Decrease attributable to ALI group's amortization of capitalized DST and other incidental expenses. This account stood at less than 2% of the total liabilities as of March 31, 2014 and December 31, 2013.

Pension liabilities – 45% decrease from ₱1,915 million to ₱1,050 million

Mainly due to ALI group's lower pension liabilities. This account stood at less than 1% of the total liabilities as of March 31, 2014 and December 31, 2013.

Other noncurrent liabilities – 12% decrease from ₱24,828 million to ₱21,799 million

Decrease mainly attributable to ALI group's deposits on completed construction projects. This account is at 5% and 7% of the total liabilities as of March 31, 2014 and December 31, 2013, respectively.

Cumulative translation adjustments - 79% increase (improved) from negative ₱1,257 million to negative ₱260 million

Mainly due to higher foreign exchange translation of foreign denominated net assets held by the international operations group (due to depreciation of Peso from ₱44.395 in December 2013 to ₱44.815 in March 2014).

Net unrealized gain on available-for-sale financial assets (including remeasurement gains/losses on defined benefit plans) – 70% decrease from ₱1,040 million to negative ₱1,769 million

Mainly due to movement in the market value of securities held by BPI group. The balance includes ₱1,318 million remeasurement gain (losses) on defined benefit plans of the Group.

Retained earnings – 6% increase from ₱92,640 million to ₱98,111 million

Mainly due to share in YTD 2014 group net income.

Income Statement items

For the Period Ended March 31, 2014 (Unaudited) vs. March 31, 2013 (Unaudited)

Sale of goods – 14% increase from ₱21,243 million to ₱24,206 million

Mainly on account of new projects and improved sales performance of ALI group and higher revenues across all sites of IMI group. As a percentage to total income, this account is at 54% and 56% in March 31, 2014 and 2013, respectively.

Rendering of services – 21% increase from ₱10,646 million to ₱12,927 million

Improved sales performance of ALI (malls, office leasing & hotel operations specifically sales generated by its newly acquired subsidiary), MWCI (increase in billed volume and additional connections) and IMI (growth of customer demand) groups. As a percentage to total income, this account is at 29% and 28% in March 31, 2014 and 2013, respectively.

Share of profit of associates and joint ventures – 20% decrease from ₱3,913 million to ₱3,146 million

Decrease mainly due to lower earnings of BPI group in the absence of trading gains realized in 2013. As a percentage to total income, this account is at 7% and 10% in March 31, 2014 and 2013, respectively.

Interest income – 73% increase from ₱807 million to ₱1,399 million

Mainly due to higher cash balance resulting from the Group's additional loan availments, interest income on installment sales and proceeds from divestment in Stream. This account is at 3% and 2% of the total income in March 31, 2014 and 2013, respectively.

Other income – 106% increase from ₱1,455 million to ₱2,997 million

Mainly due to Livelt's P1.8B gain from divestment of Stream offset partially by lower rehabilitation works of MWCI group. This account is at 7% and 4% of the total income in March 31, 2014 and 2013, respectively.

Cost of sales – 12% increase from ₱16,574million to ₱18,650million

Increase attributable to higher sales of ALI and IMI groups. As a percentage to total costs and expenses, this account is at 54% and 56% in March 31, 2014 and 2013, respectively.

Cost of rendering services – 33% increase from ₱6,221 million to ₱8,307 million

Increase mainly due to higher sales of rendering services and consolidation of new hotels by ALI; and higher revenues from IMI, MWCI and Livelt groups. As a percentage to total costs and expenses, this account is at 24% and 21% in March 31, 2014 and 2013, respectively.

General and administrative expenses – 21% increase from ₱3,109 million to ₱3,763 million

Increase mainly on account of higher manpower expenses of ALI, IMI and Livelt groups as well as operating cost of start-up entity of automotive group. This expense classification accounts for 11% of the total costs and expenses in March 31, 2014 and 2013.

Interest and other financing charges – 18% increase from ₱2,445 million to ₱2,879 million

Increase mainly due to higher loan balance as a result of fundraising activities in late 2013 and new borrowings in 2014 of the Company (for initiatives for new growth areas like Energy and Transport Infrastructure sectors) and ALI group (for landbanking and expansion of various mixed use projects). This expense classification accounts for 8% of the total costs and expenses in March 31, 2014 and 2013.

Other charges – 43% decrease from ₱1,083 million to ₱616 million

Decrease mainly due lower rehabilitation costs of MWCI group. This expense classification accounts for 2% and 4% of the total costs and expenses in March 31, 2014 and 2013, respectively.

Provision for income tax – 5% increase from ₱1,708 million to ₱1,786 million

Primarily due to higher taxable income of the several subsidiaries significant part of which comes from ALI and IMI groups on account of better sales and other operating results.

Income attributable to Owners of the parent – 21% increase from P4,507 million to P5,471 million

Mainly due to better operating results of most of the subsidiaries and associates of the Group.

Non-controlling interests – 32% increase from ₱2,419 million to ₱3,201 million

Attributable to the favorable performance of the ALI and IMI groups in Q1 2014.

2.9 Any seasonal aspects that had a material effect on the financial condition or results of operations.

Ayala Corporation being a holding company has no seasonal aspects that will have any material effect on its financial condition or operational results.

ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending.

ALI's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.

MWCI group does not have any significant seasonality or cyclicity in the interim operation, except for the usually higher demand during the months of April and May.

BPI, IMI and other subsidiaries of the Group do not have seasonal aspects that will have any material effect to their financials or operations.

3.0 Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

ALI

1. Stockholders' approval of the following:
 - a. Amendment of Article Seventh of the Company's Articles of Incorporation exempting from pre-emptive rights the issuance of one billion common shares for acquisitions and debt payments and the issuance of common shares covered by stock options granted to members of Management Committees of subsidiaries or affiliates.
 - b. Amendment of the stock option plan to include members of Management Committees of subsidiaries or affiliates as eligible grantees of stock options.
2. Appointment of Bernard Vincent O. Dy as new President and CEO of ALI.
3. Issuance of P8 billion bonds (first tranche) due 2025 will carry a coupon rate of 5.625%.
4. ALI releases 1st quarter 2014 unaudited financial results.

3.1 Other material events or transactions during the interim period.

ALI

1. Board approval of the following:
 - a. Amendment of Article Seventh of the Company's Articles of Incorporation to exclude the issuance of one billion common shares from the pre-emptive rights of the stockholders, at a price and under such terms and conditions as may be determined by the Board at the time of issuance.
 - b. Further amendment to the Article Seventh of the Company's Articles of Incorporation to qualify members of the management committees of the Company's subsidiaries as grantees under the employee stock option or ownership plan.
 - c. The issuance of bonds of in the amount of up to P15 billion, which are to be registered with the Securities and Exchange Commission and listed in the Philippine Dealing & Exchange Corporation, will carry a tenor of up to 11 years. The first tranche will involve the issuance of P8 billion in bonds with the tenor of 11 years, maturing in 2025, at rate of 5.625% and will be offered to public until April 21, 2014. Proceeds are expected to be used to partially finance ALI's 2014 capital expenditures which include the construction of various leasing projects such as Vertis North Mall, BPO and Hotel; Circuit Mall, Retail Strip and Hotel; and Southpark Mall and BPO.
2. Declaration of cash dividends of P0.20711082 per share to all shareholders as of record date March 7, 2014, payable on March 21, 2014.
3. ALI signs 50%-50% joint venture agreement with AboitizLand, Inc. for the development of a 15-hectare mixed-use community in Mandaue City, Cebu.
4. ALI assigns to Cebu Holdings, Inc. and Cebu Property Ventures & Development Corporation rights to subscribe to 10% and 5% of the authorized capital stock of the joint venture company with AboitizLand, Inc.
5. ALI acquires Mitsubishi Corporation's 40% stake in Philippine Integrated Energy Solutions, Inc.

PART II – OTHER INFORMATION

1. In January 2014, the Company obtained a 5-year peso loan from BPI amounting to ₱8 billion. The loan shall have interest rate per annum equal to the 3-month PDST-R2 plus a spread of sixty basis points (0.60%) per annum or 95% of the BSP RRP, whichever is higher.
2. On January 3, 2014, the Company paid cash dividends on common shares of ₱2.40 per share to common shareholders of record as of December 19, 2013.
3. On March 10, 2014, the Company's BOD approved the following:
 - a. Amendment of the Third Article of the Articles of Incorporation of the Company to change the principal office address of the Company from Metro Manila, Philippines to 32/F to 35/F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, in compliance with the Securities and Exchange Commission Memorandum Circular No. 6, Series of 2014.
 - b. Amendment of Section 2, Article III of our By-Laws, to allow our Board to hold meeting in a place in Metro Manila other than in our principal office. Our Board approved the amendment pursuant to its power, delegated by our stockholders in May 1989, to amend our By-Laws.
4. On April 10, 2014, the Finance Committee of the Board of Directors of Ayala Corporation (AC), pursuant to its authority delegated by the Board, approved this evening the final terms of the US\$300 Million bonds exchangeable for common shares of Ayala Land Inc. (the "Bonds"). The Bonds will be issued by AYC Finance Limited, a wholly-owned subsidiary of AC, and will be fully guaranteed by AC.

Subsequent to the approval of the Finance Committee of the final terms of the Bonds, the offering of the Bonds commenced. The Bonds have been offered outside the United States under Regulation S of the U.S. Securities Act of 1933 and to qualified institutional investors within the Philippines in transactions that do not require registration of the Bonds under the Philippine Securities Regulation Code.

Following is the Parent Company's press statement:

Ayala Corporation Announces Pricing of US\$300,000,000 0.50% Exchangeable Bonds into Common Shares of Ayala Land, Inc. due 2019

Ayala Corporation (PSE:AC) (the "Company"), one of the largest conglomerates in the Philippines, announced today the pricing of the offering by AYC Finance Limited, a wholly-owned and guaranteed subsidiary of Ayala Corporation, of US\$300,000,000 aggregate principal amount of its 0.50% bond due 2019 (the "Bonds") exchangeable for common shares of Ayala Land, Inc. ("Ayala Land"). The Bonds have been offered outside the United States under Regulation S of the U.S. Securities Act of 1933 and to qualified institutional investors within the Philippines in transactions that do not require registration of the Bonds under the Philippine Securities Registration Code.

The Bonds will bear interest at a rate of 0.50% per year, payable semiannually. The Bonds will mature on May 2, 2019, unless earlier exchanged, redeemed or repurchased in accordance with the terms of the Bonds. The Bonds will be exchangeable at any time on or after June 11, 2014 up to the close of business on the 10th day prior to the maturity date. The Bonds will initially be exchangeable at P36.48 per Ayala Land share representing a premium of 20% over Ayala Land's closing price on April 10, 2014. On May 2, 2017, the holders of the Bonds will have the right to require the Company to repurchase for cash all or part of their Bonds at a repurchase price equal to 100% of the principal amount of the Bonds. Starting May 2, 2017 the Company is able to call the Bond if the closing price of Ayala Land shares for any 30 consecutive Trading Days is at least 130% of the Exchange Price.

The offering is the first equity-linked international issuance by a Philippine issuer in the past two years. It has also achieved the lowest cost of financing across Asia ex-Japan in 2014.

The Company intends to use the net proceeds from the issue of the Bonds for general corporate purposes.

The issuance of the offering was completed on May 5, 2014,. The Bonds have been listed and quoted in the Singapore Exchange effective May 5, 2014.

5. On April 10, 2014, SEC has approved the planned issuance of up to P15-billion fixed rate bonds of ALI. The bonds offer will be implemented in one or more tranches and sold to general public. The first tranche will involve the issuance of P8 billion in bonds with the tenor of 11 years, maturing in 2025, at rate of 5.625% and will be offered to public until April 21, 2014. Proceeds are expected to be used to partially finance ALIs 2014 capital expenditures which include the construction of various leasing projects such as Vertis North Mall, BPO and Hotel; Circuit Mall, Retail Strip and Hotel; and Southpark Mall and BPO.
6. On April 11, 2014, at the annual meeting of the Company's Stockholders, the stockholders approved the following:
 - a. Approval of minutes of the annual stockholders' meeting held on 19 April 2013.
 - b. Approval of Corporation's Annual Report, which consists of the Chairman's Message, President's Report, and the audio-visual presentation to the stockholders, and to approve the consolidated financial statements of the Corporation and its subsidiaries as of 31 December 2013, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.
 - c. Ratification of all acts and resolutions of the Board of Directors and Management adopted during the preceding year.
 - d. The ratification of the amendments to the Third Article of the Articles of Incorporation to state our specific principal office address in compliance with the SEC Memorandum Circular No. 6, series of 2014 to approve the amendment to the Third Article of the Articles of Incorporation in compliance with Securities and Exchange Commission Memorandum Circular No. 6, series of 2014, so that, as amended, the Third Article shall henceforth read as follows:

THIRD. That the place where the principal office of the Corporation is located is at 32F to 35F, Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, but it may establish branch offices in any part of the Philippines or in such other places outside the Philippines as may be approved by the Board of Directors. (As amended on 11 April 2014).
 - e. Election of the following as directors effective immediately and until their successors are elected and qualified:

Jaime Augusto Zobel de Ayala	Delfin L. Lazaro
Fernando Zobel de Ayala	Xavier P. Loinaz
Yoshio Amano	Antonio Jose U. Periquet
Ramon R. del Rosario, Jr.	

Messrs. del Rosario, Loinaz and Periquet were elected as independent directors.
 - f. Election of SyCip, Gorres, Velayo & Co. as the external auditors of our Company for the fiscal year 2014.

In the stockholders' meeting, Jaime Augusto Zobel de Ayala, Chairman and CEO, announced that the Ayala group plans to spend P187 billion in capital expenditures in 2014.

At its organizational meeting held immediately after the stockholders' meeting, our Board of Director elected the following:

- a. Board Committees and Memberships:

Executive Committee

Jaime Augusto Zobel de Ayala - Chairman
Fernando Zobel de Ayala - Member
Yoshio Amano - Member

Audit and Risk Committee

Xavier P. Loinaz - Chairman
Yoshio Amano - Member
Ramon R. del Rosario, Jr. - Member

Nomination Committee

Ramon R. del Rosario, Jr. - Chairman
Jaime Augusto Zobel de Ayala - Member
Fernando Zobel de Ayala - Member
Antonio Jose U. Periquet - Member

Personnel and Compensation Committee

Ramon R. del Rosario, Jr. - Chairman
Delfin L. Lazaro - Member
Yoshio Amano - Member

Finance Committee

Delfin L. Lazaro - Chairman
Antonio Jose U. Periquet - Member
Jaime Augusto Zobel de Ayala - Member

Committee of Inspectors of Proxies and Ballots

Solomon M. Hermosura – Chairman
Catherine H. Ang – Member
Josephine G. De Asis – Member

b. Officers:

Jaime Augusto Zobel de Ayala	- Chairman & Chief Executive Officer
Fernando Zobel de Ayala	- Vice Chairman, President & Chief Operating Officer
Gerardo C. Ablaza, Jr	- Senior Managing Director
Cezar P. Consing	- Senior Managing Director
Arthur R. Tan	- Senior Managing Director
Alfredo I. Ayala	- Managing Director
Maria Lourdes Heras-De Leon	- Managing Director
John Eric T. Francia	- Managing Director
Delfin C. Gonzalez, Jr.	- Managing Director & Chief Finance Officer
Solomon M. Hermosura	- Managing Director, General Counsel, Corporate Secretary & Compliance Officer
John Philip S. Orbeta	- Managing Director
Ginaflor C. Oris	- Managing Director
Ma. Cecilia T. Cruzabra	- Treasurer
Josephine G. De Asis	- Controller
June Vee M. Navarro	- Assistant Corporate Secretary

c. Ayala Group of Companies Management Committee

Jaime Augusto Zobel de Ayala	- Chairman and Chief Executive Officer, Ayala Corporation
Fernando Zobel de Ayala	- President and Chief Operating Officer, Ayala Corporation
Gerardo C. Ablaza, Jr.	- President, Manila Water Company, Inc.
Alfredo I. Ayala	- President, Livelt Investments, Ltd.
Cezar P. Consing	- President, Bank of the Philippine Islands
Ernest Lawrence L. Cu	- President, Globe Telecom, Inc.
Maria Lourdes Heras-De Leon	- President, Ayala Foundation, Inc.
Bernard Vincent O. Dy	- President, Ayala Land, Inc.
John Eric T. Francia	- Group Head, Corporate Strategy and Development, Ayala Corporation
Delfin C. Gonzalez, Jr.	- Chief Finance Officer, Ayala Corporation
Solomon M. Hermosura	- General Counsel and Corporate Secretary, Ayala Corporation and Ayala Land, Inc.; and Compliance Officer, Ayala Corporation
John Philip S. Orbeta	- Group Head, Corporate Resources, Ayala Corporation
Arthur R. Tan	- President, Ayala Automotive Holdings Corporation
	- President, Integrated Micro-Electronics, Inc.

d. Ayala Corporation Management Committee

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Gerardo C. Ablaza, Jr.
John Eric T. Francia
Delfin C. Gonzalez, Jr.
Solomon M. Hermosura
John Philip S. Orbeta

7. On April 21, 2014, the Company, in compliance with the SEC Memorandum Circular No. 1, Series of 2014 or the Guidelines for Changes and Updates in the Annual Corporate Governance Report (CGR), filed the updates made on the Annual CGR.
8. On April 25, 2014, the Company submitted the certifications of its independent directors, namely, Ramon R. del Rosario, Jr. Xavier P. Loinaz and Antonio Jose U. Periquet.

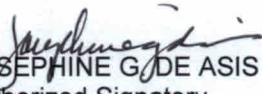
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant

AYALA CORPORATION

By:


JOSEPHINE G. DE ASIS
Authorized Signatory
Comptroller
Ayala Corporation

Date: May 13, 2014

Sections	Field Name	Values	Remarks
Issuer & Securities	Issuer/ Manager*	AYC Finance Limited	
	Securities*	Name: AYCFINANCE US\$300M0.5%B190502	
		ISIN: XS1056384420	
Announcement Details		Stock Code: 3M9B	(Max 100 characters)
	Announcement Sub Title*	First Quarter Financial Results of Ayala Land, Inc.	
	Announcement Reference *	(Auto Populated)	
	Submitted By (Co./ Ind. Name)*	Norma P. Torres	
	Designation*	Associate Director and Head of Investor Relations, Ayala Corporation	
	Contact Details*	+639043446	
	Effective Date and Time of the event	May 6, 2014	
	Price Sensitivity* (To indicate YES/NO)	YES	
Attachments	For Public Dissemination	Description* (Please provide a detailed description of the event)	(Please indicate)
		Please see the attached disclosure.	
		(Attachment)	

Fields with (*) are mandatory

Sections	Field Name	Values	Remarks
Issuer & Securities	Issuer/ Manager*	AYC Finance Limited	
	Securities*	Name: AYCFINANCE US\$300M0.5%B190502	
		ISIN: XS1056384420	
Announcement Details		Stock Code: 3M9B	
	Announcement Sub Title*	Ayala Land signs terms of reference with Sureste Properties, Inc.	(Max 100 characters)
	Announcement Reference *	(Auto Populated)	
	Submitted By (Co./ Ind. Name)*	Norma P. Torres	
	Designation*	Associate Director and Head of Investor Relations,	
	Contact Details*	Ayala Corporation	
	Effective Date and Time of the event	+639043446	
	Price Sensitivity* (To indicate YES/NO)	May 13, 2014	
Attachments	For Public Dissemination	YES	(Please indicate)
		Description* (Please provide a detailed description of the event)	
		Please see the attached disclosure.	
		(Attachment)	

Fields with (*) are mandatory

Sections	Field Name	Values	Remarks
Issuer & Securities	Issuer/ Manager*	AYC Finance Limited	
	Securities*	Name: AYCFINANCE US\$300M0.5%B190502	
		ISIN: XS1056384420	
Announcement Details		Stock Code: 3M9B	
	Announcement Sub Title*	Unaudited Financial Statements of Ayala Land, Inc. for the Quarter End-March 2014	(Max 100 characters)
	Announcement Reference *	(Auto Populated)	
	Submitted By (Co./ Ind. Name)*	Norma P. Torres	
	Designation*	Associate Director and Head of Investor Relations, Ayala Corporation	
	Contact Details*	+639043446	
	Effective Date and Time of the event	May 14, 2014	
	Price Sensitivity* (To indicate YES/NO)	YES	(Please indicate)
Attachments	Description* (Please provide a detailed description of the event)	Please see the attached report.	
	For Public Dissemination	(Attachment)	

Fields with (*) are mandatory