PSE Number: E-5000
SEC Number: 152-747
File Number: ________

AYALA LAND, INC.

(Company's Full Name)

31F Tower One and Exchange Plaza,
Ayala Triangle, Ayala Avenue, Makati City 1226

(Company Address)

(632) 750-6974

(Telephone Number)

December 31, 2014

(Year Ending)

Annual Report - SEC Form 17-A

(Form Type)

(Amendments – if applicable)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2014**

2. SEC Identification Number **152747**

3. BIR Identification No. **000-153-790-000**

4. Exact name of the issuer as specified in its charter: **AYALA LAND, INC.**

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 and postal code: **31F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City 1226**

8. Issuer's telephone number, including area code: **(632) 750-6974**

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:

    As of December 31, 2014

Title of each class	Number of shares issued and outstanding
Common shares	**14,190,488,638**
Preferred shares	**13,066,494,759**

Amount of debt outstanding: **P46,969,410,000** (Registered)

11. Are any or all of these securities listed on a Stock Exchange?
    Yes [x] No [ ]

    Name of Stock Exchange: **Philippine Stock Exchange**
    Class of securities listed: **Common shares**

    14,190,488,638 common shares have been listed with the Philippine Stock Exchange as of December 31, 2014.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 [x]   No [ ]

(b) has been subject to such filing requirements for the past 90 days:

Yes [x]   No [ ]

13. Aggregate market value of the voting stock held by non-affiliates:

P244.6 billion (as of end-2014)

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [ ]   No [ ]   **Not applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

2014 Audited Consolidated Financial Statements (incorporated as reference for Items 5, 7, 10 & 12 of SEC Form 17-A)

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PART I - BUSINESS

Item 1. Business

<u>Background</u>

Ayala Land, Inc. ("ALI" or "the Company") is the leading, most diversified property developer in the Philippines today with a proven track record in developing large-scale, integrated, mixed-use communities that become thriving economic centers in their respective regions.

Following the success of the Makati Central Business District (Makati CBD), Ayala Alabang, Cebu Park District, Bonifacio Global City (BGC) and Nuvali, the Company continues to increase its footprint by building estates that benefit more people nationwide.

With over 8,000 hectares of land bank, ALI is present in 45 growth centers across the country, offering a balanced and complementary mix of residential spaces, shopping centers, offices, hotels and resorts, convenience stores and health care facilities.

ALI was incorporated in 1988 when Ayala Corporation decided to incorporate its real estate division into an independent subsidiary to enhance management focus on its real estate business. ALI went public in July 1991 when its class "B" common shares were listed both in the Manila and Makati Stock Exchanges. On September 12, 1997, the Securities and Exchange Commission approved the declassification of ALI's common class "A" and common class "B" shares into common shares.

<u>Products / Business Lines</u>

Property Development

Residential Business - Sale of residential lots, house and lot packages, and condominium units that cater to the demand from the high-end, upscale, affordable, socialized and economic housing segments of the market.

Office for Sale – Sale of office units for Corporate and Business Process Outsourcing (BPO) requirements.

Commercial Lots and Industrial Lots for Sale – Sale of commercial and industrial lots within the various estates of the Company.

Commercial Leasing

Shopping Centers - Development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operations of malls which are co-owned with partners.

Office Leasing - Development and lease of office spaces.

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

Services

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

Property Management – Management of ALI-owned and third-party properties; operation of water and sewage treatment facilities in some ALI projects; distribution of district cooling systems; bulk purchase and supply of electricity for energy solutions.

Products / Business Lines(with 10% or more contribution to 2014 consolidated revenues):

Property Development (Sale of residential lots and units, office spaces and commercial and industrial lots)	56%
Commercial Leasing (Shopping Centers, Office Leasing and Hotels and Resorts Operations)	18%
Services (Construction and Property Management)	25%

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

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

Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, led the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI established marketing offices in North America (Milpitas and San Francisco), Hong Kong, Singapore, Dubai, Rome, London and Milan. ALISI likewise assumed operations of AyalaLand Int'l. Marketing in Italy and London, ownership of these offices are transferred to ALISI in 2014. Aside from ALISI, the overseas Filipino (OF) market is being pursued through award-winning websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad.

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

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

Development of the business of the registrant and its key operating subsidiaries/associates and joint ventures during the past three years

Ayala Land pursued major residential land development and condominium projects, office buildings, leisure community projects and shopping center operations in the past three years.

Property Development

Ayala Land Premier continues to lead in the luxury segment with the launch of its high-value residential condominiums and lots. Projects launched in the past three years include residential lots in Soliento in Nuvali, The Courtyards in Imus/ Dasmarinas Cavite, as well as condominium units in East Gallery Place at BGC, Two Roxas Triangle and Arbor Lanes in Arca South. Horizontal residential projects include, among others, Abrio, Santierra, Elaro, Luscara, Ayala Westgrove Heights and Ayala Greenfield Estates. Residential condominium projects undertaken in the past three years include Park Terraces, West Tower Serendra, Garden Towers, The Suites, 1016 Residences, Two Roxas Triangle and Parkpoint Residences.

Alveo Land Corp., 100% owned by Ayala Land, offers various residential products to the middle-income market. Projects launched in the past three years include High Park Vertis North, Verve Residences, Sequoia in Bonifacio Global City, The Veranda in Arca South, Solstice in Circuit, Kroma and Escala in Makati and Lumira in Nuvali, Solistice in Circuit, High Street South Corporate Plaza, Verve Residences, Lerato, Portico, and Abreeza Place among others.

Avida Land Corp., a 100%-owned subsidiary, continued to develop affordable housing projects which offer house-and lot packages and residential lots. Projects launched in the past three years include Avida Woodhill Settings, Avida Towers Sucat, Avida Towers New Manila, Avida Towers San Lazaro, Avida

Towers Makati West, Avida Settings NUVALI, Avida Residences San Fernando, Avida Residences Sta. Cecilia, and Riego de Dios Village,

Amaia Land Corp., formerly a subsidiary of Avida is now a wholly owned subsidiary of Ayala Land, was established to pursue a planned expansion of residential development operations to cater to the country's economic housing segment. Projects launched in the past three years include Amaia Scapes Bauan, Amaia Series Novaliches, Amaia Scapes San Fernando, Amaia Scapes Bulacan, Amaia Scapes San Pablo, Amaia Steps Capitol Central and Amaia Steps Nuvali among others.

BellaVita Land Corp. (formerly South Maya Ventures Corp.), wholly-owned subsidiary of Ayala Land, aims to establish the country's first social enterprise community development targeting minimum wage earners and members of the informal business sector. Its first project in General Trias, Cavite was launched in December 2011. Projects launched in the past three years include BellaVita in Porac, Tayabas, Capas, San Pablo, Lipa, Cabanatuan, Pillilia and Alaminos among others.

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

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

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

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

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

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

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

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

Avencosouth was incorporated in the Philippines and is currently engaged in condominium development operations.The Company holds 90% indirect interest in Avencosouth as of December 31, 2012.It is 70% owned by Avida (wholly-owned subsidiary of the Company) and 30% owned by Accendo (67% owned by the Company). Avencosouth was registered with the SEC on April 26, 2012 and started commercial operations on August 11, 2012.

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

Strategic Landbank Management

Aurora Properties, Incorporated and *Vesta Property Holdings, Inc.*and Ceci Realty, Inc. (incorporated in 1974) are owned by Ayala Land 78%, 70% and 60%, respectively. These companies, joint ventures with the Yulo Family, finalized plans for the development of nearly 988 hectares of land in Canlubang, Laguna.

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

Nuevo Centro, Inc., a wholly-owned subsidiary of Ayala Land, was established primarily to acquire and hold real estate properties for the purpose of developing them into large-scale, mixed-used and masterplanned communities. In 2014, NCI launched Avida Settings Porac.

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

Shopping Centers

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

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

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

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

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

ALI Commercial Center, Inc. is a wholly owned subsidiary and was incorporated on October 13, 2014. ALI Commercial Center, Inc. will manage the operations of Glorietta and Greenbelt malls.

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

North Triangle Depot Commercial Corporation, 63.82% owned by Ayala Land, commenced development of TriNoma (formerly referred to as North Triangle Commercial Center), a 191,000-sqm mall constructed at the main depot of MRT-3 in Quezon City. TriNoma broke ground in June 2005 and began operations in May 2007.

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

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

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

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

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

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

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

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

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

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

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

Hotels and Resorts

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

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

Ten Knots Philippines, Inc. and Ten Knots Development Corporation (The Ten Knots Group), 60% owned by Ayala Land in partnership with Asian Conservation Company Inc. In 2013, the Hotels and Resorts Group signed an agreement with Asian Conservation Company to acquire its 40% stake in El Nido Resorts.

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

Asian Conservation Company Limited and Subsidiary. On November 19, 2013, AHRC, a wholly owned subsidiary of the Company entered into an agreement to acquire 100% interest in ACCI, which effectively consolidates the remaining 40% interest in TKDC and TKPI (60%-owned subsidiary of the Company prior to this acquisition). This acquisition is in line with the Company's thrust to support the country's flourishing tourism industry.

Sentera Hotel Ventures, Inc. was registered on June 19, 2014. It is a wholly owned subsidiary of AHRC with purpose of managing the hotel operation of SEDA Iloilo.

Econorth Resorts Ventures, Inc. is wholly owned subsidiary of AHRC with the primary purpose of engaging in real estate and hospitality activities in Seda Lio, Palawan. It was registered on October 8, 2014.

ALI Triangle Hotel Ventures, Inc. was registered on March 4, 2014. It is a wholly owned subsidiary of AHRC with the primary purpose of developing and managing the activities of the new Mandarin Hotel.

*Circuit Makati Hotel Ventures, Inc***.** was registered on October 20, 2014. It is a wholly owned subsidiary of AHRC with primary purpose of developing and managing the hotel operations in Circuit Makati.

Capitol Centre Hotel Ventures, Inc. was registered on October 20, 2014. It is a wholly owned subsidiary of AHRC and with the purpose of developing and managing the hotel activities of SEDA Bacolod.

Arca South Hotel Ventures, Inc. was registered on October 17, 2014. It is a wholly owned subsidiary of AHRC with main purpose of developing and managing the hotel operations of Arca South project in Taguig.

Visayas-Mindanao

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

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

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

Southportal Properties, Inc. (Southportal) was incorporated on December 1, 2014. It is 65%- owned by the Company and the remaining 35% is held by CHI. The primary purpose of the Group is to develop, sell and manage the operations for ALP Towers in Cebu.

Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between Ayala Land, Inc. and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue.

Adauge, an 87% owned subsidiary of the Company, was incorporated on September 5, 2012 for the acquisition and development of a mixed-use project in Mandurriao, Iloilo City.

Lagdigan Land Corp. (Lagdigan) is a 60:40 joint venture between the Company and AC. It was incorporated on March 17, 2014 and its main purpose is to develop Laguindingan's 500-hectare property owned by AC. The vision is to develop it as a mixed-use area that will be the primary growth area in Misamis Oriental.

International

First Longfield Investments Limited is wholly-owned by Ayala Land. On March 7, 2011, ALI, Ayala Corp and The Rohatyn Group completed an exchange of ownership interests in Arch Capital and Arch Capital Asian Partners G.P (a Cayman Islands company), with proceeds and carrying value of the investments as of the date of exchange amounting to US$3.8 million and US$0.4 million, respectively, resulted to a gain of US$2.9 million, net of transaction costs. The exchange in ownership interest resulted in TRG acquiring ALI's 17% stake and Ayala Corp's 33% interest. The completed exchange of ownership interests did not change the activities, management, focus and shareholder structure of the ARCH Fund, with the Company retaining its current 8% interest in the fund

Regent Wise Investments Limited (Regent Wise), a wholly-owned subsidiary of Ayala Land,formed to enter into an Equity Joint Venture with Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltdfor the development of a 9.78 hectare residential project in China. The project is located in Tianjin Eco-city ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase future direction of urban planning and sustainable development. On April 6, 2015, Regent Wise Investments Limited, acquired 9.16% of the shares of Malaysian company GW Plastics Holdings Bhd., to be renamed MCT Bhd., through a private placement for a total amount of US$43 Mn or P1.9 Bn. MCT (or Modular Construction Technology) Bhd., first established in 1999 as a construction company, is a property development company specializing in mixed-use projects that include retail, office, hotel, and mid- to affordable residential. The company is able to deliver projects at lower costs by adhering to a modular construction technique and by being an integrated builder with an in-house design team, in-house trading company, direct execution of specialist works and its own pre-cast and ready-mixed concrete plants. The company has several ongoing projects in OneCitySubang Jaya and Cyberjaya, as well as a land bank in Dengkil, 1.5km away south of Cyberjaya, all located in the Klang Valley in Malaysia. By partnering with a company such as MCT, Bhd., Ayala Land will be expanding its footprint in Southeast Asia in line with its diversification goals and sets the platform for growth in Malaysia. This allows Ayala Land to enter the Malaysian market with an experienced team, benefit from synergies of the partnership, and further add value to MCT over the long term to enable it to be a key player in the Malaysian real estate market.

AyalaLand Real Estate Investments Inc. was incorporated on February 4, 2013 under the laws of British Columbia, Canada. It is 100%-owned by the Company through RegentWise. It is the beneficiary of the Trust and a Shareholder of Rize-AyalaLand (Kingsway) GP Inc. As of December 31, 2014 and 2013, it is a party to the Rize-AyalaLand (Kingsway) Limited Partnership.

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

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

Ayala Land International (Singapore) Pte. Ltd was established by ALISI on July 4, 2013 with the same objectives as ALIM.

Ayala Land International Marketing (Hong Kong) Ltd. was established by ALISI when it further expanded by acquiring First Folio Limited in Hong Kong on September 13, 2013.

Ayala Land International Marketing, SRL was organized when ALISI bought ownership interests in Italy and Ayala Land International Marketing, Inc. in London from Avida Sales Corporation on April 9, 2014 and December 10, 2014, respectively. ALISI continues to widen the range of exposure of all ALI residential brands by its marketing partners.

Construction

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

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

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

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

Property Management

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

Others

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

Aprisa Business Solutions, Inc., a wholly-owned subsidiary of Ayala Land that provides transactional finance and accounting services.

Philippine Integrated Energy Solutions, Inc.,a 100%owned subsidiary of Ayala Land established for the supply and operations of a district cooling system, performance contracting by introducing various energy solutions and bulk purchase of electricity.

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

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

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

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

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

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

The following were the changes in the group structure during 2014:

On December 29, 2014, Soltea increased its authorized capital stock and included Aurora Properties, Inc. as additional owner. The new ownership structure will be ALI 60%, Ceci 20%, and Aurora 20%.

On December 10, 2014, the Group purchased its proportionate share in Anglo Philippine Holdings Corporation's 15.79% interest in NTDCC for P738.3 million which consists of 539,249 common shares and 2,265,507 preferred shares. Subsequently, on December 22, 2014, the Group purchased the shares of Allante Realty and Development Corporation and DBH Incorporated in NTDCC for P211.2 million each comprises of 154,287 common shares and 648,196 preferred shares for each company. This increased the Group's ownership in NTDCC from 49.29% to 63.82% of the total outstanding capital stock of NTDCC

On November 7, 2014 Ayala Land, Inc. (ALI), SM Prime Holdings, Inc. (SMPH), the Francisco Ortigas Group (FOG) and the Rafael Ortigas Group (ROG), signed an agreement to cause the termination of all cases relating to the ownership and management of OCLP Holdings, Inc. (OHI), which owns Ortigas and Company Limited Partnership (OCLP). The agreement establishes a partnership that will further enhance the properties in the Ortigas area, and create maximum value for their various stakeholders

Southportal Properties, Inc. (Southportal) was incorporated on December 1, 2014. It is 65%- owned by the Company and the remaining 35% is held by CHI. The primary purpose of the Group is to develop, sell and manage the operations for ALP Towers in Cebu.

On July 31, 2014, the Company acquired equity interest in Ceci composed of 460,483 Class B common shares for P13.96 million which increased the Company's ownership from 60% to 60.40%

On July 18, 2014, the Board of Directors (BOD) and the stockholders of APPCo approved the change of its corporate name to AyalaLand Offices, Inc. On October 17, 2014, the amended Articles of Incorporation was executed and subsequently approved by Securities and Exchange Commission on November 18, 2014.

Circuit Makati Hotel Ventures, Inc. was registered on October 20, 2014. It is a wholly owned subsidiary of AHRC with primary purpose of developing and managing the hotel operations in Circuit Makati.

Capitol Centre Hotel Ventures, Inc. was registered on October 20, 2014. It is a wholly owned subsidiary of AHRC and with the purpose of developing and managing the hotel activities of SEDA Bacolod.

Arca South Hotel Ventures, Inc. was registered on October 17, 2014. It is a wholly owned subsidiary of AHRC with main purpose of developing and managing the hotel operations of Arca South project in Taguig.

Sentera Hotel Ventures, Inc. was registered on June 19, 2014. It is a wholly owned subsidiary of AHRC with purpose of managing the hotel operation of SEDA Iloilo.

ALI Commercial Center, Inc. is a wholly owned subsidiary and was incorporated on October 13,2014. ALI Commercial Center, Inc. will manage the operations of Glorietta and Greenbelt malls.

Econorth Resorts Ventures, Inc. is wholly owned subsidiary of AHRC with the primary purpose of engaging in real estate and hospitality activities in Seda Lio, Palawan. It was registered on October 8, 2014.

On August 18, 2014, Antoman Realty Corporation invested an additional interest in Adauge consisting of 10,419,813 common shares and 93,778,320 preferred shares amounting to P04.2 million which decreased Ayala Land Inc.'s ownership from 87% to 72% of the total capital stock of Adauge.

ALISI bought its ownership interests over Ayala Land International Marketing, SRL in Italy and Ayala Land International Marketing, Inc. in London from Avida Sales Corporation on April 9, 2014 and December 10, 2014, respectively. ALISI continues to widen the range of exposure of all ALI residential brands by its marketing partners.

Lagdigan Land Corp. (Lagdigan) is a 60:40 joint venture between the Company and AC. It was incorporated on March 17, 2014 and its main purpose is to develop Laguindingan's 500-hectare property owned by AC. The vision is to develop it as a mixed-use area that will be the primary growth area in Misamis Oriental.

The Group acquired Mitsubishi Corporation's (MC) 40% equity stake in PhilEnergy which effectively made PhilEnergy a wholly owned subsidiary of the Group. The transaction which wasexecuted on March 13, 2014 through a Share Purchase Agreement involving 2,957,200 shares held by MC in PhilEnergy amounted to a total investment cost of P322.3 million (see Note 24).

ALI Triangle Hotel Ventures, Inc. was registered on March 4, 2014. It is a wholly owned subsidiary of AHRC with the primary purpose of managing the activities of the new Mandarin Hotel.

Bankruptcy, Receivership or Similar Proceedings

None for any of the subsidiaries and affiliates above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

On April 8, 2015 Ayala Land purchased all of the 8.2 million common shares of Aegis PeopleSupport Realty Corporation amounting to P435M. Aegis PeopleSupport Realty Corporation is a PEZA-registered entity and the owner of Aegis building along Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 square meters and is largely occupied by Teleperformance under a long-term lease. This acquisition is aligned with ALI's thrust of expanding its office leasing business.

On April 6, 2015, Ayala Land, through its wholly-owned subsidiary, Regent Wise Investments Limited, acquired 9.16% of the shares of Malaysian company GW Plastics Holdings Bhd., to be renamed MCT Bhd., through a private placement for a total amount of US$43 Mn or P1.9 Bn. MCT (or Modular Construction Technology) Bhd., first established in 1999 as a construction company, is a property development company specializing in mixed-use projects that include retail, office, hotel, and mid- to affordable residential. The company is able to deliver projects at lower costs by adhering to a modular construction technique and by being an integrated builder with an in-house design team, in-house trading company, direct execution of specialist works and its own pre-cast and ready-mixed concrete plants. The company has several ongoing projects in OneCitySubang Jaya and Cyberjaya, as well as a land bank in Dengkil, 1.5km away south of Cyberjaya, all located in the Klang Valley in Malaysia. By partnering with a company such as MCT, Bhd., Ayala Land will be expanding its footprint in Southeast Asia in line with its diversification goals and sets the platform for growth in Malaysia. This allows Ayala Land to enter the Malaysian market with an experienced team, benefit from synergies of the partnership, and further add value to MCT over the long term to enable it to be a key player in the Malaysian real estate market.

On February 6, 2015, ALI purchased the combined remaining interest of Allante Realty and Development Corporation (Allante) and DBH, Inc. (DBH) in North Triangle Depot Commercial Corporation (NTDCC) consisting of 167,548 common shares and 703,904 preferred shares amounting to PhP229M. ALI also purchased the remaining interest of Anglo Philippine Holdings Corporation (Anglo) in NTDCC consisting of 382,072 common shares and 1,605,169 preferred shares amounting to P532M. These transactions increased ALI's stake in NTDCC from 63.82% to 73.24%

On December 23, 2014, ALI purchased its proportionate share in DBH Inc and Allante Realty who owns 4.08% each in NTDCC for a total of P422.5 million. This transaction increased ALI's stake in NTDCC from 58.53% to 63.82%

On December 10, 2014, ALI purchased its proportionate share in Anglo Philippine Holdings Corporation's 15.79% interest in NTDCC for P738 million which consists of 2,265,507 shares. This transaction increased ALI's stake in NTDCC from 49.29% to 58.53%

On November 23, 2013, Ayala Land, through its wholly-owned subsidiary, Ayala Hotels and Resorts Corp, (AHRC) signed an agreement to acquire 100% interest in Asian Conservation Company, Inc. (ACCI) which effectively consolidates the remaining 40% interest in Ten Knots Development Corp. (TKDC) and Ten Knots Philippines Inc. (TKPI) (60%-owned subsidiary of the Company prior to this acquisition). The agreement resulted in the Company effectively obtaining 100% interest in TKPI and TKDC.

On October 31, 2013, the Company acquired a 55% interest in Taft Punta Engano Property, Inc. (TPEPI) for a consideration of P550.0 million. The transaction was accounted for as an asset acquisition. The excess of the Group's cost of investment in TPEPI over its proportionate share in the underlying net assets at the date of acquisition was allocated to the "Investment properties" account in the consolidated financial statements. This purchase premium shall be amortized upon sale of these lots by TPEPI.TPEPI's underlying net assets acquired by the Group as of date of acquisition consists of cash in bank, input VAT and investment properties amounting to P550.0 million.

On April 16, 2013, ALI entered into a Sale and Purchase Agreement (SPA) with Global International Technologies Inc. (GITI) to acquire the latter's 32% interest in ALI Property Partners Co. (APPCo) for P3.52 billion. GITI is a 100% owned company of the Goldman Sachs Group Inc. The acquisition increased ALI's stake in APPCo from 68% to 100%. APPCo owns BPO buildings in Makati, Quezon City and Laguna with a total gross leasable area of around 230k sqm. The carrying amount of the non-controlling interest is reduced to nil as APPCo became wholly owned by the Company. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the Company amounting to P2,722.6 million.

On April 16, 2013, CPVDC (a subsidiary of CHI) acquired the 60% interest of the Company in AiO for a cash consideration of P436.2 million. AiO was previously 40%-owned by CPVDC and 60%-owned by the Company. This transaction allows the Company to consolidate into CPVDC the development and operations of BPO offices in Cebu and businesses related thereto, which should lead to value enhancement, improved efficiencies, streamlined processes and synergy creation among the Company and its subsidiaries. This is also consistent with the thrust of the CHI group to build up its recurring income base. The acquisition resulted to AiO becoming a wholly owned subsidiary of CPVDC. Both AiO andCHI are under the common control of the Company. As a result, the acquisition was accounted for using the pooling of interests method. The transaction has no effect on the carrying amounts of the Group's assets and liabilities.

On October 2, 2012, Ayala Hotels and Resorts Corp. (AHRC) a wholly-owned subsidiary of the Company, entered into an agreement to acquire the interests of Kingdom Manila B.V., an affiliate of Kingdom Hotel Investments (KHI), and its nominees in KHI-ALI Manila Inc. (now renamed AMHRI) and 72,124 common shares in KHI Manila Property Inc. (now renamed AMHPI). AMHRI and AMHPI are the project companies for the Fairmont Hotel and Raffles Suites and Residences project in Makati which opened last December 2012. A total of P2.4 billion was paid to acquire the interests of KHI in AMHRI and AMHPI.

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

In August 2012, the Group won the public bidding for the purchase of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig. The bid was conducted in accordance with the Asset Specific Bidding Rules dated July 4, 2012 and in accordance with the provisions of Executive Order No. 323. The Group's bid was P24.3 billion.

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

Hospitals/Clinics
Ayala Land entered into a strategic partnership with the Mercado Group in July 2013 to establish hospitals and clinics located in the Company's integrated mixed-use developments. The Company will enhance its communities with the introduction of healthcare facilities under the QualiMed brand. In 2014, QualiMed opened three (3) clinics in Trinoma, Fairview Terraces, McKinley Exchange Corporate Center, and QualiMed Women's and Children's Hospital in Atria Park, Iloilo. Qualimed is on track on the target to grow the hospitals and clinics 10 each till 2020.

Convenience Stores
SIAL CVS Retailers, Inc., a joint venture entity between Varejo Corporation and Specialty Investments, Inc. (wholly-owned subsidiaries of Ayala Land, Inc. and Stores Specialists, Inc., respectively) signed an agreement with FamilyMart Co, Ltd and Itochu Corporation to tap opportunities in the convenience store business. The first FamilyMart store was unveiled last April 7, 2013 at Glorietta 3 in Makati. A total of 87 FamilyMart stores are in operation as of end 2014.

Department Stores
Varejo Corporation and Specialty Investments, Inc. (wholly-owned subsidiaries of Ayala Land, Inc. and Stores Specialists, Inc., respectively) formed SIAL Specialty Retailers, Inc. to develop and operate department stores in ALI's mall developments. The first Wellworth branch opened in March 2014 at Fairview Terraces in Quezon City. The second branch will open Q2 2015 at UP TownCenter also in Quezon City.

Supermarkets
ALI Capital Corporation (formerly Varejo Corporation), a subsidiary of Ayala Land, entered into a joint venture agreement with Entenso Equities Incorporated, a wholly-owned entity of Puregold Price Club, Inc., to develop and operate mid-market supermarkets for some of Ayala Land's mixed-use projects. The first supermarket will open in the 3rd quarter of 2015 at UP Town Center. The Company expects to roll out 3 mid-brand supermarkets per year.

Competition

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

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

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

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

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

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

BellaVita, a relatively new player in the socialized housing market, will continue to aggressively expand its geographical footprint with product launches primarily located in provincial areas.

Suppliers

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

Customers

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

Transactions with related parties

Please refer to Item 12 of this report ("Certain Relationships and Related Transactions).

Government approvals/regulations

The Company secures various government approvals such as the ECC, development permits, license to sell, etc. as part of the normal course of its business.

Employees

Ayala Land - parent company has a total workforce of 498 regular employees as of December 31, 2014. The breakdown of the ALI - Parent Company employees according to type is as follows:

Senior Management	26
Middle Management	224
Staff	248
Total	**498**

Employees take pride in being an ALI employee because of the company's long history of bringing high quality developments to the Philippines. With the growth of the business, career advancement opportunities are created for employees. These attributes positively affect employee engagement and retention.

The Company aims that its leadership development program and other learning interventions reinforce ALI's operating principles and provide participants with a set of tools and frameworks to help them develop skills and desired qualities of an effective leader. The programs are also venues to build positive relations and manage networks within the ALI Group.

ALI has a healthy relation with its employees' union. Both parties openly discuss employee concerns without necessity of activating the formal grievance procedure.

Further, employees are able to report fraud, violations of laws, rules and regulations, or misconduct in the organization thru reporting channels under the ALI Business Integrity Program.

Risks

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

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

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

Shopping Center, Office Space and Land Rental
For its shopping centers, Ayala Land competes for tenants primarily based on the ability of the relevant shopping center to attract customers - which generally depend on the quality and location of, and mix of tenants in, the relevant retail center and the reputation of the owner of the retail center - and rental and other charges. The market for shopping centers has become especially competitive and the number of competing properties is growing. Some competing shopping centers are located within relatively close proximity of each of Ayala Land's commercial centers. With respect to its office rental properties, Ayala Land competes for tenants primarily based on the quality and location of the relevant building, reputation of the building's owner, quality of support services provided by the property manager, and rental and other charges. The Company is addressing the continuing demand from BPOs by providing fully integrated and well maintained developments (high rise or campus facility) in key locations in the country.

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

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

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

- Changes in Philippine and international interest rates
- Changes in the value of the Peso
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions
- Product and service quality and safety issues that go with the volume and pace of expansion
- Frequent occurrence of natural disasters affecting our developments

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

Working Capital

Ayala Land finances its working capital requirements through a combination of internally-generated cash, pre-selling, joint ventures and joint development agreements, borrowings and proceeds from the sale of non-core assets and installment receivables.

Domestic and Export Sales

The table below illustrates the amounts of revenue, profitability, and identifiable assets attributable to domestic and foreign operations for the years ended December 31, 2014, 2013 and 2012: (in ₱'000)

	2014	2013	2012
Consolidated revenues			
Domestic	95,197,046	81,523,070	59,932,162
Foreign	-	-	-
Net operating income			
Domestic	35,801,433	29,683,884	22,906,452
Foreign	-	-	-
Net income (Attributable to equity holders of Ayala Land)			
Domestic	14,802,642	11,741,764	9,038,328
Foreign	-	-	-
Total assets			
Domestic	388,944,463	325,473,685	254,115,680
Foreign	-	-	-

Item 2. Properties

Landbank / Properties WITH MORTGAGE OF LIEN

The following table provides summary information on ALI's landbank as of December 31, 2014. Properties are wholly-owned and free of lien unless noted.

Location	***Hectares***	***Primary land use***
Makati[1]	52	Commercial/Residential
Taguig[2]	84	Commercial/Residential
Makati (outside CBD)[3]	4	Commercial/Residential
Alabang[4]	24	Commercial/Residential
Las Piñas/Paranaque	127	Commercial/Residential
Quezon City[5]	108	Commercial/Residential
Others in Metro Manila	59	Commercial/Residential
Metro Manila	***457***	
NUVALI[6]	988	Commercial/Residential/Industrial
Laguna [7]	1,499	Commercial/Residential/Industrial
Cavite[8]	1,099	Commercial/Residential
Batangas/Rizal/Quezon[9]	433	Commercial/Residential
Calabarzon	***4,019***	
Bulacan/Pampanga[10]	***1,011***	Commercial/Residential
Others in Luzon[11]	***2,316***	Commercial/Residential
Bacolod/Negros Occidental	137	Commercial/Residential
Cebu[12]	205	Commercial/Residential
Davao[13]	94	Commercial/Residential
Cagayan De Oro[14]	336	Commercial/Residential
Iloilo[15]	49	Commercial/Residential
Others in VisMin	13	
Visayas/Mindanao	***835***	
TOTAL	***8,639***	

[1] Makati includes sites of Mandarin Hotel (1.6 has.) and Peninsula Hotel (2.0 has.) which are 50% owned through Ayala Hotels, Inc.; certain properties in Makati City are mortgaged with BPI in compliance with BSP ruling on directors, officers, stockholders, and related interests.

[2] Taguig includes the Arca South Estate with a total of 55 has and the 9.9-ha. site of Market! Market! under lease arrangement with BCDA; 11.3 has. in Taguig is owned through Fort Bonifacio Development Corporation.

For Market! Market!, the lease agreement with the BCDA covers a period of 25 years (renewable for another 25 years) and involves an upfront cash payment of P689 million and annual lease payments with fixed and variable components.

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

[4] Alabang pertains to the 17.6-ha. Alabang Town Center which is 50% owned through Alabang Commercial Corp. (ACC)

[5] Includes 45.5 has. under lease arrangement with University of the Philippines; the 13-ha. site of TriNoma which is under lease arrangement with the Department of Transportation and Communication; a 4.85-has. property which is being leased from Ellimac Prime Holdings, Inc. and a 29.2-has. property on a joint development agreement with the National Housing Authority. TriNoma is 63.82% owned by ALI through North Triangle Depot Commercial Corp.

[6]NUVALI includes 598 has. through Aurora Properties Incorporated and Vesta Holdings, Inc. which are owned 78% and 70% owned by Ayala Land, respectively; also includes 321 has. which are 60% owned through Ceci Realty, Inc.

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

[8] Cavite includes a total of 687 has recently acquired Imus and Dasmarinas.

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

[10] Pampanga includes 804 has. in Alviera which is 100% owned under Nuevo Centro.

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

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

[13] Davao includes a 9.2 - ha. property which is 67% owned through Accendo Commercial Corp.

[14] Cagayan de Oro includes 3.7 has. which are 70% owned through Cagayan de Oro Gateway Corp.

[15] Includes a 2.0 has. land lease with Riverside Holdings, Inc for the Iloilo Technohub site, 12.8-ha. property secured through a JDA agreement with the Pison Group, and the remaining 4.6-ha. landbank of Avida in Pavia.

LEASED PROPERTIES

The Company has an existing contract with BCDA to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to P106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

On January 28, 2011, a notice was given to the Company for the P4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for a 58,000 square meters another 25 years by mutual agreement. The project involves the construction of a retail establishment with 63,000 square meters of available gross leasable area and a combination of Headquarter-and-BPO- type buildings with an estimated 8,000 square meters of office space.

Rental Properties

The Company's properties for lease are largely shopping centers and office buildings. It also leases land, carparks and some residential units. In the year 2014, rental revenues from these properties accounted for P21.2 billion or 22% of Ayala Land's consolidated revenues. Lease terms vary depending on the type of property and tenant.

Property Acquisitions

With 8,639 hectares in its landbank as of December 31, 2014, Ayala Land believes that it has sufficient properties for development in next 25 years.

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

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

In August 2012, the Group won the public bidding for the purchase of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig. The bid was conducted in accordance with the Asset Specific Bidding Rules dated July 4, 2012 and in accordance with the provisions of Executive Order No. 323. The Group's bid was P24.3 billion.

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

On October 2, 2012, AHRC, a wholly-owned subsidiary of the Company, entered into an agreement to acquire the interests of Kingdom Manila B.V., an affiliate of Kingdom Hotel Investments (KHI), and its nominees in KHI-ALI Manila Inc. (now renamed AMHRI) and 72,124 common shares in KHI Manila Property Inc. (now renamed AMHPI).

AMHRI and AMHPI are the project companies for the Fairmont Hotel and Raffles Suites and Residences project in Makati which opened last December 2012. A total of P2,430.4 million was paid to acquire the interests of KHI in AMHRI and AMHPI.

MORTGAGE, LIEN OR ENCUMBRANCE OVER PROPERTIES

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

Item 3. Legal Proceedings

As of December 31, 2014, ALI, its subsidiaries, and its affiliates, are not involved in any litigation regarding an event which occurred during the past five (5) years that they consider material.

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

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

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

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

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

Item 4. Submission of Matters to a Vote of Security Holders

Except for the matters taken up during the Annual Meeting of Stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – SECURITIES OF THE REGISTRANT

Item 5. Market for Issuer's Common Equity and Related Stockholders Matters

Market Information

Ayala Land common shares are listed with the Philippine Stock Exchange.

Philippine Stock Exchange
Prices (in PhP/share)

	High		Low		Close	
	2014	2013	2014	2013	2014	2013
First Quarter	29.95	33.25	29.50	25.85	29.90	32.70
Second Quarter	30.70	35.70	30.15	26.30	30.50	30.40
Third Quarter	35.00	31.60	34.45	23.00	34.95	27.25
Fourth Quarter	33.95	31.20	33.50	23.70	33.70	24.75

The market capitalization of ALI as of end-2014, based on the closing price of ₱33.70/share, was approximately ₱478.2 billion.The price information as of the close of the latest practicable trading date February 13, 2015 is ₱35.30 per share.

Stockholders

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

Common Stockholders: There are 9,672 registered holders of common shares of the Company as of January 31, 2015.

	Stockholder Name	**No. of Common Shares**	**Percentage (of common shares)**
1.	Ayala Corporation	6,934,509,515	47.25281%
2.	PCD Nominee Corporation (Non-Filipino)	5,863,797,472	39.95682%
3.	PCD Nominee Corporation (Filipino)	1,582,426,550	10.78290%
4.	ESOWN Administrator 2009	18,723,078	0.12758%
5.	ESOWN Administrator 2012	15,594,810	0.10627%
6.	ESOWN Administrator 2010	14,916,471	0.10164%
7.	ESOWN Administrator 2013	12,300,458	0.08382%
8.	ESOWN Administrator 2014	10,953,213	0.07464%
9.	ESOWN Administrator 2011	9,763,991	0.06653%
10.	Jose Luis Gerardo Yulo	6,783,948	0.04623%
11.	ESOWN Administrator 2008	6,691,457	0.04560%
12.	ESOWN Administrator 2006	6,530,291	0.04450%
13.	Estrellita B. Yulo	5,732,823	0.03906%
14.	ESOWN Administrator 2005	5,183,330	0.03532%
15.	Emilio Lolito J. Tumbocon	4,364,180	0.02974%
16.	Pan Malayan Management and Investment Corporation	4,002,748	0.02728%
17.	Ma. Angela Y. La'o	3,728,620	0.02541%
18.	Ma. Lourdes G. Latonio	3,624,650	0.02470%
19.	Lucio W. Yan	3,483,871	0.02374%
20.	Telengtan Brothers and Sons, Inc.	3,480,000	0.02371%

Voting Preferred Stockholders: There are approximately 1,874 registered holders of voting preferred shares of the Company as of January 31, 2015.

	Stockholder Name	**No. of Common Shares**	**Percentage (of voting preferred shares)**
1.	Ayala Corporation	12,163,180,640	93.0868%
2.	HSBC Manila OBO A/C 000-171512-554	513,222,800	3.9278%
3.	Government Service Insurance System	156,350,871	1.1966%
4.	HSBC Manila OBO A/C 000-171512-571	15,051,000	0.1152%
5.	DB MLA OBO SSBTC Fund HG16	15,000,000	0.1148%
6.	Wealth Securities, Inc.	14,825,373	0.1135%
7.	DB MLA OBO SSBTC Fund SS01	13,670,744	0.1046%
8.	Samuel Villes Santos and/or Luzviminda Lat Santos	12,001,800	0.0919%
9.	DB MLA OBO SSBTC Fund C021	8,497,223	0.0650%
10.	Investors Securities, Inc.	6,251,770	0.0478%
11.	First Metro Securities Brokerage Corp.	5,103,853	0.0391%
12.	Deutsche Bank AG Manila OBO BNYM AC 1214004162	4,943,400	0.0378%
13.	HSBC Manila OBO A/C 000-171512-551	4,484,748	0.0343%
14.	DB MLA OBO SSBTC Fund FA20	3,951,800	0.0302%
15.	Deutsche Regis Partners, Inc.	3,896,157	0.0298%
16.	Papa Securities Corporation	3,536,538	0.0271%
17.	DB MLA OBO SSBTC Fund FA2N	3,534,608	0.0271%
18.	Maybank ATR Kim Eng Securities, Inc.	3,479,514	0.0266%
19.	Ansaldo, Godinez & Co. Inc.	3,388,848	0.0259%
20.	Belson Securities, Inc.	2,800,874	0.0214%

Dividends

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

CASH DIVIDEND (Per Common Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.109488	Feb.20, 2012	March 7, 2012	March 27, 2012
0.10385223	Aug. 24, 2012	Sept. 17, 2012	Oct. 8, 2012
0.14787806	Feb. 19, 2013	March 5, 2013	March 19, 2013
0.14348287	Aug. 22, 2013	Sept. 6, 2013	Sept. 20, 2013
0.20711082	Feb. 21, 2014	March 7, 2014	March 21, 2014
0.20687187	Aug. 28, 2014	Sept. 11, 2014	Sept. 26, 2014

CASH DIVIDEND (Per Voting Preferred Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.00474786	Feb. 19, 2013	June 14, 2013	July 1, 2013
0.00474786	Feb. 21, 2014	June 16, 2014	June 30, 2014

Dividend policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company and other factors.

Special cash dividends are declared depending on the availability of cash, taking into account the Company's CAPEX and project requirements and the progress of its ongoing asset rationalization program.

Cash dividends are subject to approval by the Company's Board but no stockholder approval is required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Company's Board of Directors and the Company's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Company. Special cash dividends are declared depending on the availability of cash, taking into account the Company's capital expenditure and project requirements and progress of its on-going asset rationalization program. Cash dividends are subject to approval by the Board of Directors but no stockholder approval is required. Property dividends that may come in the form of additional shares of stock are subject to approval by both the Board of Directors and stockholders. In addition, payment of stock dividends is likewise subject to the approval of the Securities and Exchange Commission and the Philippine Stock Exchange.

In line with the 2020-40 plan to focus on a new phase of expansion, the Company is targeting a 30 percent to 40 percent dividend payout ratio based on prior year's earnings.

Recent Sale of Securities

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

Year	No. of Shares ESOP (exercised)	ESOWN (subscribed)
2012	6.6 Million	25.2 Million
2013	3.2 Million	18.8 Million
2014	5.6 Million	12.3 Million

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

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

On July 16, 2012, Ayala Corporation executed the placement of, and subscription to the Company's 680,000,000 common shares at ₱20 per share or an aggregate of ₱13.6 billion. The placement price of ₱20 per share was at a 4.988% discount to the Company's closing price of ₱21.05 per common share on July 10, 2012 and was the agreed clearing price among the purchasers of the shares and the placement agents, Goldman Sachs (Singapore) Pte., J.P. Morgan Securities plc and UBS AG.

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

On January 12, 2015, Ayala Corporation executed the placement of, and subscription to the Company's 484,848,500 common shares at ₱33.00 per share or an aggregate of ₱16 billion. The placement price of

₱33.00 per share was at a 3.9% discount on the 5-day volume-weighted average price of the Company's stock and was the agreed clearing price among the purchasers and the placement agent, UBS AG. The Company filed Notices of Exemption with the SEC for the issuance of the 680,000,000, 399,528,229 and 484,848,500 common shares under the following provisions of the SRC:

SRC Subsection 10.1 (e), The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.

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

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

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

Corporate Governance

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

ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

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

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

PART III – FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operation

Review of 2014 operations vs. 2013

Ayala Land, Inc. (ALI or "the Company") posted a net income after tax (attributable to equity holders of ALI) of P14.80 billion for the year 2014, 26% higher than the reported net income after tax (attributable to equity holders of ALI) of P11.74 billion in 2013. Consolidated revenues reached P95.20 billion, 17% higher year-on-year. Revenues from Real Estate which comprised bulk of consolidated revenues, increased by 17% to P89.03 billion mainly driven by the strong performance across the Property Development, Commercial Leasing and Services businesses.

The ratio of General and Administrative Expenses (GAE) to revenues improved further to 6.5% from 7.3% year-on-year. Earnings before interest and taxes (EBIT) margin improved to 27.4%in 2014 from 25.9% in the previous year.

Business Segments

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

Property Development. Property Development, which includes the sale of residential lots and units, office spaces, as well as Commercial and Industrial Lots, reported revenues of P61.84 billion in 2014, 19% higher than the P51.96 billion reported in 2013.

Revenues from the Residential Segment reached P52.26 billion in 2014, 24% higher than in 2013, driven by strong bookings and project completion across all residential brands. Ayala Land Premier (ALP) registered a revenue growth of 50% year-on-year to P23.10 billion, driven by significant bookings from residential lots in Soliento in Nuvali, The Courtyards in Imus and Dasmarinas, Cavite, Ayala Westgrove Heights in Silang, Cavite and Ayala Greenfield Estates in Calamba, Laguna and high-value condominium units such as East Gallery Place in Bonifacio Global City, Two Roxas Triangle and Garden Towers in Makati and Arbor Lanes in Arca South. Alveo meanwhile posted P10.38 billion in revenues, 14% higher compared to last year, owing to the higher sales and completion of its new and existing projects such as High Park in Vertis North, Verve Residences, Sequoia, in Bonifacio Global City, The Veranda in Arca South, Solstice in Circuit, Kroma and Escala in Makati and Lumira in Nuvali. Avida and Amaia likewise recorded revenue growth of 5% and 50% to P13.18 billion and P3.63 billion, respectively. Avida's performance was anchored on the higher contributions from Avida Towers Vita in Vertis North, Avida Towers BGC 34th Street and Avida Towers Verte in Bonifacio Global City and Avida Towers Riala in Cebu. Amaia's revenues was primarily driven by the strong sales of Amaia Steps Nuvali. BellaVita revenues increased 81% to P115.6 million, mainly due to solid bookings generated by its projects in General Trias and Alaminos.

Sales take-up in 2014 increased 11%, reaching a total of P101.7 billion, an all-time high, equivalent to an average monthly sales take-up of P8.48 billion. Residential Gross Profit (GP) margins of horizontal projects remained steady at 44% while GP margins of vertical developments slightly declined to 33% due to the sales mix. The Company's five residential brands launched a total of 16,564 units in 2014, with a total sales value of P84.5 billion.

In addition, revenue from the sale of office spaces by Alveo and Avida aggregated at P4.86 billion representing more than a four-fold increase from 2013 driven mainly by additional bookings and project completion of High Street South Corporate Plaza Towers, Park Triangle Corporate Plaza and One Park Drive in Bonifacio Global City. GP margins of offices for sale slightly declined to 38% in 2014 from 39% in the previous year due to the increased contribution of BPI Corporate Center in Cebu.

Revenues from the sale of Commercial and Industrial Lots decreased by 44% year-on-year in 2014 to P8.43 billion, mainly due to the sale of commercial lots in Arca South in 2013. GP margins of Commercial and Industrial lots however improved to 45% in 2014 from 40% in the previous year due to higher margins on commercial lots sold in Arca South, Altaraza and Nuvali.

Commercial Leasing. Commercial Leasing includes the Company's Shopping Centers and Office Leasing as well as Hotels and Resorts operations. Total revenues from Commercial Leasing amounted to P21.06 billion in 2014, 18% higher than the P18.00 billion recorded in the same period last year.

Revenues from Shopping Centers grew by 8% to P11.36 in 2014 from P10.48 billion in 2013. 2014 saw a steady increase in monthly average lease rates to P1,146 per square meter from P1,113 per square meter in 2013, with the opening of new malls and steady rental escalations. Total gross leasable area (GLA) was up 6% year-on-year to 1,336,168 square meters while occupied gross leasable area (GLA) was up by 5% year-on-year to 1,260,470. Same store rental growth increased by 6%. Shopping Centers EBITDA margin improved to 65% from 62% due to the higher contribution from new malls from higher occupancy and average rental rates.

Revenues from Office Leasing operations increased by 21% to P4.23 billion in 2014, from P3.50 billion last year due to the full year contribution of new offices from higher occupancy and average rental rates. Total GLA expanded to 611,816 square meters while total occupied office GLA expanded to 582,595 square meters in 2014. Average BPO lease rates increased 5% year-on-year to P676 per square meter due to rental escalations in existing buildings. EBITDA margins of the total office portfolio improved to87% from 85%.

Hotels and Resorts currently operates 1,294 hotel rooms from its internationally branded segment; Hotel InterContinental Manila, Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holiday Inn & Suites Makati, 203 island resort rooms from El Nido Resorts in Lagen, Miniloc, Apulit and Pangulasian Islands in the province of Palawan and 665 rooms from its Seda Hotels located in Bonifacio Global City, Centrio Cagayan de Oro, Abreeza Davao which all opened in 2013, and the Seda Nuvali Hotel which opened in March 2014. Revenues of the Hotels and Resorts business grew by 40% to P5.62 billion in 2014 from P4.02 billion in 2013, primarily driven by improved performance of new hotels and resorts. Revenue per Available Room (REVPAR) for hotels was at P3,831, higher by 26% versus 2013 levels due to improved occupancy and room rates at Holiday Inn, Fairmont Hotel and Raffles Residences and the Seda Hotels. REVPAR for resorts improved by 18% year-on-year to P6,706 owing to improved occupancy across all resorts. EBITDA margins for Hotels and Resorts increased to 29% from 20%.

Services. Services which include the Company's wholly-owned Construction and Property Management companies generated combined revenues of P29.80 billion in 2014, 22% higher than the P24.45 billion posted in 2013. Construction revenues grew by 25% to P28.76 billion with the steady completion of project within the ALI Group. Property Management revenues decreased 31% to P1.035 billion in 2014 due to lower revenues and the sale of Laguna Technopark Inc. waterworks in 2013. Blended EBITDA margins for Services increased to 11% from 9% in 2014.

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

Equity in Net Earnings from Investees grew by 18% to P647 million in 2014, from P550 million in 2013. The increase is mainly attributed to higher sales of commercial lots by Fort Bonifacio Development Corporation (FBDC). Meanwhile, Interest, Investment and Other income reached P5.5 billion, due to higher interest income on accretion and installment sales.

Expenses

Total expenses in 2014 amounted to P71.34 billion, 14% more than the P62.56 billion incurred in 2013. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose 15% year-on-year amounting to P59.40 billion. General and Administrative Expenses (GAE) grew by only 5%to P6.20 billion primarily due to payroll and compensation-related expenses, with the GAE-to-revenue ratio declining to 6.5% from 7.3% last year. Interest Expense, Financing and Other Charges meanwhile increased by 20% year-on year to P5.74 billion, mainly attributed to new bond issuances to finance the Company's expansion plans.

Project and Capital Expenditure

The Company spent a total of P83.3 billion for project and capital expenditures in 2014, 26% more than the P66.26 billion spent in 2013. The bulk of capital expenditures was spent on project completion (62% of the total) with the remaining balance spent for land acquisition (38%). For 2015, the Company has allotted P100.3 billion for capital expenditures primarily earmarked for the completion of ongoing developments and launches of new residential and leasing projects which will help sustain the Company's growth trajectory in the coming years.

Financial Condition

The Company's balance sheet continues to be solid, with adequate capacity to support its growth plans for 2015 and beyond. Cash and Cash Equivalents including short term investments and investments in UITF classified as FVPL stood at P34.59 billion, resulting in a Current Ratio of 1.22:1. Total Borrowings stood at P124.67 billion from Php101.90 billion as of December last year, translating to a Debt-to-Equity Ratio of 1.02:1 and a Net Debt-to-Equity Ratio of 0.74:1. Return on Equity was at 14.4%in 2014.

Key Financial Performance Indicators

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

	December 31, 2014	*December 31, 2013*
Current ratio [1]	1.22:1	1.45:1
Debt-to-equity ratio [2]	1.02:1	0.91:1
Net debt-to-equity ratio [3]	0.74:1	0.55:1
Profitability Ratios:		
Return on assets [4]	5.0%	4.9%
Return on equity [5]	14%	13%
Asset to Equity ratio [6]	3.19:1	2.90:1
Interest Rate Coverage [7]	5.7	6.5

[1] *Current assets / current liabilities*
[2] *Total debt/ consolidated stockholders' equity, net of unrealized gain (Total debt includes short-term debt, long-term debt and current portion of long-term debt)*
[3] *Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl – excludes Arch Capital Fund)*
[4] *Total Net income / average total assets*
[5] *Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI*
[6] *Total Assets /Total stockholders' equity*
[7] *EBITDA/Interest expense*

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

Income Statement items – 2014 versus 2013

17% increase in real estate and hotel revenues
Primarily due to higher sales bookings and incremental completion of residential projects and improved performance of leasing, hotels and resorts business segments

18% increase in equity in net earnings of investees
Largely attributable to the higher equity contribution from FBDC companies

36% increase in interest and investment income
Due primarily from higher interest income on accretion

36% decrease in other income
Largely due to the sale of the waterworks business and the contribution from the decrease in other income from DPSI and EMPI

15% increase in real estate and hotel costs
Largely due to higher costs and expenses

5% increase in general and administrative expenses
Primarily due to higher taxes & licenses, donation, dues & fees, training & seminars, repairs &maintenance and office services related expenses

20% increase in interest expense, financing and other charges
Largely due to the increased borrowings to finance various capital expenditures

32% increase in provision for income tax
Mainly due to higher taxable income for the period

14% increase in net income attributable to non-controlling interests
Primarily due to the increased contribution from BG Companies, Vismin and Nuvali companies

Balance Sheet items – 2014 versus 2013

1,702% increase in short-term investments
Mainly due to the increase in short-term investment placements and increased interest rates

53% decrease in financials assets at fair value through profit or loss
Largely due to the matured UITF placements that are not renewed

37% increase in accounts and notes receivable (net)
Primarily due to higher sales of new and existing residential projects

11% increase in real estate inventories
Mainly due to additional land acquisitions, incremental project completion and new launches of residential projects

22% increase in other current assets
Mainly due to proceeds from the sale of projects in escrow deposits

78% increase in non-current accounts and notes receivables
Largely due to increased sales from newly launched and existing residential projects.

133% increase in available-for-sale financial assets
Mainly due to Varejo's SSI AFS investment

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

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

15% increase in investment properties
Mainly due to additional costs on new & existing malls and buildings for lease and land acquisitions

7% increase in property and equipment
Contribution from new hotel and HQ (Alveo and Avida) buildings and improvements, installation of district cooling systems in shopping centers and acquisition of construction formworks and equipment fleet

25% increase in deferred tax assets
Primarily due to higher deferred tax assets mainly from residential group's tax effect of temporary difference arising from sale and collection on booked accounts. Taxable income (per percentage of completion or POC) is greater than accounting income (per collection).

32% increase in accounts and other payables
Mainly due to higher expenses on the completion of existing and new projects

31% increase in short-term debt
Primarily due to increase in loan availments of ALI Parent, Avida and Alveo and new loan of TKDC

39% decrease in income tax payable
Mainly from lower taxable income in 4Q 2014 and increase in actual amount paid for 3nd quarter ITR filing

43% increase in current portion of long-term debt
Mainly due to increase in loan amount from ALI parent, hotels & resorts and malls group, ADC, Avida, and Phil.Energy

73% increase in deposits and other current liabilities
Mainly due to tenants' deposits and construction bonds which will be applied against the rent and service due.

20% increase in long-term debt - net of current portion
Largely attributable to increase in loan availments of ALI parent and subsidiaries and new loan availments of malls and residential companies

38% increase in pension liabilities
Primarily due to impact of Revised PAS 19 employee benefits.

51% decrease in deferred tax liabilities
Mainly due to deferred tax liability arising from temporary difference on non-taxable income recognized during the period.

6% increase in deposits and other noncurrent liabilities
Largely due to higher deposits from residential customers and new tenants for offices and increased retention payable

15% increase in retained earnings
Mainly due to the increase in income for the period

6% decrease in stock options outstanding
Mainly due to issuance and cancellation of ESOP/ESOWN

323% increase in net unrealized gain on available-for-sale financial assets
Primarily due to the increase in available-for-sale financial assets investments

10% increase in non controlling interest
Primarily due to the increase in the share in Net Income of all subsidiaries below 100% ownership

25% increase in Parent Equity Reserve
Mainly due to increase additional equity interest in NTDCC, CECI

Results of Operations for the Year Ended December 31, 2013

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

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

Business Segments

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

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

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

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

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

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

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

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

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

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

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

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

Expenses

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

Project and Capital Expenditure

The Company spent a total of P66.02 billion in capital expenditures in 2013, 7% lower than the P71.29 billion spent the previous year. The bulk of capital expenditures in 2013 were utilized for residential developments (32% of total), land acquisition (41%), offices (8%), shopping centers (12%), hotels and resorts (2%), with the balance spent on support business and land development activities in the Company's strategic landbank areas.For 2014, the Company has allotted another P70.0 billion for capital expenditures primarily earmarked for the completion of ongoing developments and launches of new residential and leasing projects, which will help sustain the Company's growth trajectory in the coming years. The total value of the 78 projects that are expected to be launched this year is estimated to be at around P142 billion.

Financial Condition

The Company's balance sheet remains strong with sufficient capacity to carry out its aggressive growth plans in 2014 and beyond. Cash and Cash Equivalents including short term investments and investments in UITF classified as FVPL stood at P40.78 billion, resulting in a Current Ratio of 1.45:1. Total Borrowings stood at P101.90 billion from Php74.78 billion as of December last year, translating to a Debt-to-Equity Ratio of 0.91:1 and a Net Debt-to-Equity Ratio of 0.55:1. Return on equity was maintained at 13% in 2013.

Key Financial Performance Indicators

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

	End-December 2013	*End-December 2012*
Current ratio [1]	1.45:1	1.41:1
Debt-to-equity ratio [2]	0.91:1	0.78:1
Net debt-to-equity ratio [3]	0.55:1	0.45:1
Profitability Ratios:		
Return on assets [4]	4.9%	5.3%
Return on equity [5]	13.0%	13.0%
Asset to Equity ratio [6]	2.90	2.66:1
Interest Rate Coverage Ratio [7]	6.5	6.7

[1] *Current assets / current liabilities*
[2] *Total debt/ consolidated stockholders' equity, net of unrealized gain (Total debt includes short-term debt, long-term debt and current portion of long-term debt)*
[3] *Net debt/ consolidated stockholders' equity(Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl – excludes ARCH Capital Fund)*
[4] *Total Net income / average total assets*
[5] *Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI*
[6] *Total Assets /Total stockholders' equity*
[7] *EBITDA/Interest expense*

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

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

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

Income Statement items – 2013 versus 2012

40% increase in real estate revenues
Mainly due to the sale of commercial lots in Arca South and strong contributions across all residential brands primarily Ayala Land Premiere, Alveo and Avida coupled with a growing commercial leasing and hotels and resorts businesses.

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

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

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

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

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

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

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

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

Balance Sheet items – 2013 versus 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations for the Year Ended December 31, 2012

Ayala Land, Inc. ("ALI" or "the Company") posted a record Php9.04 billion in net income (attributable to equity holders of ALI) for the year 2012, 27% higher than the Php7.14 billion recorded the previous year. Consolidated revenues reached Php59.93 billion, 26% higher year-on-year.Revenues from Real Estate, which comprised the bulk of consolidated revenues, increased by 21% to Php54.71 billion primarily driven by the robust performance of the Property Development business.

Margins of the Company's key business lines continued to improve with strict control of project costs and direct operating expenses (discussed below in the Business Segment review). Corporate costs remain under control with the ratio of General and Administrative Expenses (GAE) to revenues maintained at 8% for two consecutive years. With total revenue growth outpacing the growth of total expenses, net income margin before non-controlling interest remained at 15% in 2012 compared to the previous year.

Business Segments

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

Property Development. Property Development, which includes the sale of residential units, commercial and industrial lots, registered revenues of Php33.19 billion in 2012, 31% higher than the Php25.26 billion recorded in 2011.

Revenues from the residential business reached Php30.88 billion in 2012, 29% higher than the Php23.99 billion reported the previous year, driven by higher bookings, steady project launches and continuous progress on construction across all residential brands. Ayala Land Premier (ALP) generated Php10.39 billion in revenues or an improvement of 9% year-on-year on the back of increased bookings in projects namely Park Terraces Makati, The Suites Bonifacio Global City (BGC) and Elaro in NUVALI. Alveo and Avida also registered year-on-year revenue growth of 29% and 37% to Php7.52 billion and Php8.29 billion, respectively, following the strong sales and bookings of newly-launched projects such as The Maridien Towers (BGC), Solinea Towers 1 and 2 (Cebu), Kasa Luntian Phase 1 (Tagaytay), Lerato (Makati), and Vesta in NUVALI for Alveo, and Avida Towers Centera 1-3 (Mandaluyong City), Avida 34th Street Tower 1 (BGC), Avida Cityflex Tower 2 (BGC), Avida Parkway Settings (NUVALI), Avida Settings Cavite, Avida Village NUVALI, Avida Ridgeview Estates NUVALI, Avida Cebu Tower 2, Avida Alabang Tower 2, Avida New Manila Tower 5 and Avida San Lorenzo Tower 2.Residential brand Amaia, catering to the economic housing segment, significantly increased its contribution to residential revenues in 2012 as it generated Php1.55 billion, 85% higher than the Php841 million earned in 2011, primarily from the strong performance of Amaia Scapes Bacolod and Cabanatuan and newly-launched projects in Cavite, Lipa, Novaliches, Cubao, Sta. Mesa and Avenida.

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

Revenues from the sale of commercial and industrial lots grew by 81% in 2012 to Php2.31 billion, largely due to the sale of 25 commercial lots in NUVALI. However, GP margins dropped to 50% from 54% as the institutional raw land sale in NUVALI carried a lower margin.

Commercial Leasing. Commercial Leasing includes the Company's Shopping Center and Office Leasing operations. Total revenues for Commercial Leasing amounted to Php8.78 billion in 2012, 18% higher than the Php7.46 billion recorded the previous year.

Revenues from Shopping Centers increased by 18% to Php5.85 billion in 2012, driven by higher average lease rates and expanded gross leasable area (GLA). Average lease rates rose in 2012 by 3% brought about by negotiated and programmed rental escalations. The retail environment remained buoyant as same-store sales for building and land leases increased by 6% and 12%, respectively. The opening of Harbor Point Mall in Subic, Centrio Mall in Cagayan de Oro and the New Glorietta, resulted in an 8% expansion in occupied GLA.The earnings before interest, taxes, depreciation and amortization (EBITDA) margin of shopping centers increased to 62% from 60% the previous year due to improved mall operations and effective management of direct operating expenses. Average occupancy rate across all malls slightly dropped to 94% compared with 96% in 2011 due to the additional GLA from newly-opened malls.

Revenues from Office leasing operations rose by 18% to Php2.94 billion in 2012 from Php2.50 billion the previous year.Revenue growth was attained due to higher lease rates and occupied GLA of business process outsourcing (BPO) office spaces, which grew by 19% year-on-year (an increase of 56,161 square meters). Total available BPO GLA reached 354,822 square meters as of year-end, while average BPO lease rates remained steady at Php589 per square meter. This was achieved despite a change in the portfolio mix as some of the increase in occupied GLA were in provincial (and therefore lower rent) locations. The improvement in occupied BPO space accounted for the two percentage-point improvement in the EBITDA margin of the total office portfolio, which reached 82% in 2012.

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

Services.Services, comprised of the Company's wholly-owned Construction and Property Management businesses, generated combined revenues (net of inter-company eliminations) of Php5.48 billion in 2012.This was 13% lower than the Php6.26 billion posted in 2011 following Makati Development Corporation's deliberate move to focus on Ayala Land projects. Only revenues from third-party contracts, or the revenue from third-party minority interests in Ayala Land projects, are reflected as construction revenues in consolidated Company accounts.Before inter-company eliminations, construction revenues actually increased by 40% to Php19.24 billion compared to Php13.77 billion in 2011, while Property Management revenues grew 16% to Php1.29 billion in 2012 due to higher carpark revenues, compared with Php1.11 billion the previous year.The blended EBITDA margin for Services declined by one percentage-point to 7%, due to lower margins from internal contracts.

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

Equity in Net Earnings from Investees rose by 38% to Php535.91 million in 2012 from Php388.96 million the previous year, mainly as a result of higher contributions from the projects of BG North Properties Inc., BG West Properties Inc. and BG South Properties Inc., joint venture companies for the residential condominium projects of ALP, Alveo and Avida in BGC. Interest, Investment and Other Income meanwhile grew by 92% to Php4.69 billion in 2012 compared with the Php2.44 billion the previous year. The increase was accounted for mostly by higher average cash balance, increase in management fees and the accretion of interest income from the sale of Php4.31 billion worth of receivables.

Expenses

Total expenses amounted to Php45.39 billion in 2012, 26% more than the Php36.07 billion incurred in 2011.Cost of Sales from Real Estate, which accounted for the bulk of expenses, rose 23% year-on-year to Php37.03 billion. GAE meanwhile grew by 26% to Php4.73 billion, largely because of the increase in manpower-related expenses for the new hotels and resorts facilities. Nevertheless, GAE-to-revenue ratio remained at 8% in 2012. Interest Expense, Financing and Other Charges increased by 56% year-on year to Php3.63 billion, mostly due to higher financing charges related to the sale of receivables and additional borrowings. While total financing charges increased, the average cost of the Company's consolidated debt decreased to 5.4%, from 6.3% in 2011.

Project and Capital Expenditure

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

Financial Condition

The Company's balance sheet remained strong with sufficient capacity to carry out its aggressive growth plans in the following years. Strong cash inflows from the successful pre-sales of various residential launches as well as proceeds from the Php3.0 billion notes and Php15.0 billion bonds, as well as the Php1.0 billion Homestarter Bond issued in 2012 brought Cash and Cash Equivalents including short term investment and UITF investments classified as FVPL to Php32.14 billion. Current Ratio stood at 1.40: 1, with total borrowings at Php74.78 billion as of December 2012. Debt-to-Equity Ratio was at 0.78: 1 while Net Debt-to-Equity Ratio increased to 0.45: 1. Return on equity increased one-percentage point year-on-year to 13% in 2012.

Key Financial Performance Indicators

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

	End-December 2012	*End-December 2011*
Current ratio [1]	1.40:1	1.65:1
Debt-to-equity ratio [2]	0.78:1	0.51:1
Net debt-to-equity ratio [3]	0.45:1	0.16:1
Profitability Ratios:		
Return on assets [4]	5.4%	5.9%
Return on equity [5]	12.6%	11.8%
Asset to Equity ratio [6]	2.66:1	2.19:1
Interest Rate Coverage Ratio [7]	6.73	7.39

[1] *Current assets / current liabilities*
[2] *Total debt/ consolidated stockholders' equity, net of unrealized gain(Total debt includes short-term debt, long-term debt and current portion of long-term debt)*
[3] *Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl - excludes ARCH Capital Fund)*
[4] *Total Net income / average total assets*
[5] *Net income attributable to equity holders of ALI / average total stockholders' equity attributable to the parent*
[6] *Total Assets /Total stockholders' equity attributable to parent*
[7] *EBITDA/Interest expense*

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

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

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

Income Statement items – 2012 versus 2011

21% increase in real estate revenues
Mainly due to higher sales from newly launched residential projects such as Park Terraces, Abreeza Residences and Serendra West Tower of Ayala Land Premier and Centera Towers and Parkway Settings of Nuvali, and growth in leasing and hotel businesses.

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

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

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

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

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

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

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

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

41% increase in net income attributable to noncontrolling interests
Primarily due to higher income from NUVALI companies.

Balance Sheet items – 2012 versus 2011

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

91% decrease in short-term investments
Primarily due to maturity of short-term investments.

Increase in financial assets at fair value through profit or loss and available- for- sale financial assets
Mainly due to reclassification of investment in Arch Capital Asian Partners L.P.

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

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

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

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

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

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

20% increase in investment properties
Largely due to new projects such as Holiday Inn & Suites Makati, Seda Hotels, Centrio Mall and Ayala Center redevelopment.

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

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

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

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

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

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

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

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

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

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

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

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

27% decrease in unrealized gain on available-for-sale financial assets
Primarily due to sale of fixed income securities, and lower revaluation on preferred shares of Ayala Corporation

2% decrease in noncontrolling interests in net assets of subsidiaries
Largely attributed to redemption of shares for APPCO, Accendo and AHI.

Item 7. Financial Statements

The 2014 consolidated financial statements of the Company are incorporated herein in the accompanying Index to Exhibits.

Foreign Exchange Gains/Losses

Net foreign exchange loss arising from foreign exchange transactions amounted to P31.8 million for the year ended December 31, 2014.

Interest & Other Financing Charges and Other Charges

Interest and other charges in 2014 amounted to P5.4billion, breakdown of which is provided in Note 22 of the 2014 consolidated financial statements which is incorporated herein in the accompanying Index to Exhibits.

Receivables

Accounts and Notes receivable as of end-2014 amounted to P58.6 billion, breakdown of which is provided in Notes 7 and 29 of the 2014 consolidated financial statements.

Accounts and Other Payables

Accounts and Other Payables as of end-2014 amounted to P104.5 billion, breakdown of which is provided in Notes 16 and 29 of the 2014 consolidated financial statements.

General and Administrative Expenses

General and Administrative expenses in 2014 amounted to P6.2 billion, breakdown of which is provided in Notes 22, 26 and 28 of the 2014 consolidated financial statements.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountants

In 2014, the principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo& Company (SGV & Co.). Pursuant to the General Requirements of SRC Rule 68, Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Ms. Jessie D. Cabaluna has been the Partner In-charge effective audit year 2011.

External Audit Fees and Services

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

	Audit & Audit-related Fees	Tax Fees	Other Fees
2014	19.01*	-	0.13**
2013	17.60*	-	0.11**

** Pertains to audit fees; no fees for other assurance and related services.*
***SGV fees for the validation of stockholders' votes during the 2013 and 2014 annual stockholders' meetings.*

Tax Fees

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

Under paragraph D.3.1 of the ALI Audit Committee Charter, the Audit Committee (composed of Jaime C. Laya, Chairman, Rizalina G. Mantaring, and Antonino T. Aquino) recommends to the Board the appointment of the external auditor and the audit fees.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant* (As of Dec 31, 2014)

The write-ups below include positions held as of December 31, 2014 and in the past five years, and personal data as of December 31, 2014, of directors and executive officers.

*Board of Directors***

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

**None of the directors and members of ALI's management owns 2.0% or more of the outstanding capital stock of the Company.*
***Term of Office of the Members of the Board of Directors commence on the date of their election as Directors for a period of one year or until successors are elected or duly qualified.*
****Independent Directors*

Fernando Zobel de Ayala, Filipino, 54, has served as Chairman of the Board of ALI since April 1999. He holds the following positions in publicly listed companies: President and Chief Operating Officer of Ayala Corporation; Chairman of Manila Water Company, Inc.; and Director of Bank of The Philippine Islands, Globe Telecom, Inc. and Integrated Micro-Electronics, Inc. He is the Chairman of AC International Finance Ltd., AC Energy Holdings, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc.;Director of LiveIt Investments, Ltd., Ayala International Holdings Limited, Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corp., Manila Peninsula and Habitat for Humanity International; Member of the INSEAD East Asia Council, World Presidents' Organization and Habitat for Humanity International; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, Kapit Bisig para sa Ilog Pasig Advisory Board, National Museum and the foundation of the Roman Catholic Church. He graduated with B.A. Liberal Arts at Harvard College in 1982.

Jaime Augusto Zobel de Ayala, Filipino*,* 55, has served as a Director, Vice Chairman and member of the Executive Committee of ALI since June 1988. He holds the following positions in publicly listed companies: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Manila Water Company, Inc. He is also the Co-Chairman of Ayala Foundation, Inc.; Vice Chairman of AC Energy Holdings, Inc.; Chairman of Harvard Business School Asia-Pacific Advisory Board; Vice Chairman of the Makati Business Club, and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, Endeavor Philippines and National Competitiveness Council; and a Philippine Representative for APEC Business Advisory Council. He graduated with B.A. in Economics (Cum Laude) at Harvard College in 1981 and took his MBA at the Harvard Graduate School of Business Administration in 1987.

Bernard Vincent O. Dy, Filipino, 51, is the President & Chief Executive Officer of ALI effective April 7, 2014. Prior to this post, he was the Head of the Residential Business, Commercial Business and Corporate Marketing and Sales of ALI. He is the Chairman of other two publicly listed companies namely: Cebu Holdings, Inc. and Cebu Property Ventures and Development Corporaiton. His other significant positions include: Chairman of Ayala Land International Sales, Inc., Anvaya Cove Golf & Sports Club and Amicassa Process Solutions, Inc., Amaia Land Corporation~~,~~ Avida Land Corp. ("Avida"), Alveo, Alviera Country Club, Inc., Ayalaland Commercial Reit, Inc., Lagdigan Land Corporation, Cagayan De Oro Gateway Corp., BGSouth Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., Portico Land Corp., Directpower Services, Inc., Philippine Integrated Energy Solutions, Inc., Bonifacio Estate Services Corporation, Amaia Southern Properties, Inc. ; Vice Chairman of Bellavita Land Corporation and Ayala Greenfield Development Corporation; President of Serendra, Inc. and Varejo Corporation, Alabang Commercial Corporation, Accendo Commercial Corp., Aurora Properties Incorporated, Ceci Realty Inc., Vesta Property Holdings, Inc., Bonifacio Land Corporation, Berkshires Holdings, Inc. and Columbus Holdings, Inc.; Director of Fort Bonifacio Development Corporation, Ayala Land Sales, Inc., North Triangle Depot Commercial Corporation, Station Square East Commercial Corporation, Ayala Greenfield Golf & Leisure Club, Ayala Property Management Corporation, Makati Development Corporation and Nuevocentro, Inc.; and Treasurer of SIAL Specialty Retailers, Inc. and SIAL CVS Retailers, Inc. He earned a degree of

B.B.A Accountancy from the University of Notre Dame in 1985 and took his Master's Degree in Business Administration and International Relations at the University of Chicago in 1997 and 1989, respectively.

Antonino T. Aquino, Filipino, 67, has served as Director of ALI since April 2009. He is also a Director of Manila Water Company, Inc. (MWC), another publicly listed company, since 1999. He was the President of ALI from April 2009 to April 2014, MWC from April 1999 to April 2009, Property Management Corporation from 1989 to 1999. He is a Member of the Multi Sectoral Advisory Board of the Philippine Army since 2014. He was named "Co-Management Man of the Year 2009" by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership. He earned a degree in BS Management and Masters in Business from the Ateneo de Manila University in 1968 and 1975, respectively.

Francis G. Estrada, Filipino, 65, has served as Independent Director of ALI since April 2008. His other significant positions are: Independent Director of Philamlife and General Insurance Co. (Chairman, Risk Management Committee; Member of the Audit and Investment Committees); Director and Member of Technology Committee of Rizal Commercial Banking Corporation; Director, Chairman of the Risk Management and Member of the Audit Committees of RCBC Savings Bank; Director and Member of the Risk Management Committee of Engineering Equipment, Inc.; Chairman, Multi-Sectoral Governance Council, Development Bank of the Philippines; Vice-Chairman, Trustee and Fellow of the Institute of Corporate Directors; Director and Member of the Audit Committee of Clean Air Asia, Inc.; Member, Multi-Sectoral Governance Council, Armed Forces of the Philippines; Fellow, Institute for Solidarity in Asia; Trustee of the Sociedad Espanola de Beneficiencia; Vice Chairman and Trustee of Bancom Alumni, Inc.; Director of the Maximo T. Kalaw Foundation; former President of the Asian Institute of Management; former Chairman of De La Salle University Board of Trustees; former Chairman of the Board of Visitors of the Philippine Military Academy; former Member of the National Mission Council and Chairman of the Investment Committee of De La Salle Philippines; Most Outstanding Alumnus of the Asian Institute of Management in 1989. Mr. Estrada graduated from De La Salle University with undergraduate degrees in Liberal Arts and Business Administration in 1971, a Masters Degree in Business Management (with Distinction) at the Asian Institute of Management in 1973 and completed the Advanced Management Program at the Harvard Business School in 1989.

Jaime C. Laya, Filipino, 75, has served as an Independent Director of ALI since April 2010. He is an Independent Director of publicly listed companies namely GMA Network, Inc., GMA Holdings, Inc. and Manila Water Company, Inc.His other significant positions are: Chairman and President of Philippine Trust Company (Philtrust Bank)., Independent Director of Philippine AXA Life Insurance Co., Inc.; and Trustee of Cultural Center of the Philippines, St. Paul's University – Quezon City, Ayala Foundation, Inc., Escuela Taller de Filipinas Foundation, Inc., Fundación Santiago, and other non-profit, non-stock corporations. He graduated magna cum laude from University of the Philippines in 1957with a degree in B.S.B.A. (Accountancy) and took Management Studies on Industrial Management at the Georgia Institute of Technogoly in 1960. He later on took his Ph.D. in Financial Management at the Stanford University in 1967.He has served as Minister of the Budget, Minister of Education, Culture and Sports, Governor of the Central Bank of the Philippines, Chairman of the National Commission for Culture and the Arts, and Professor and Dean of Business Administration of the University of the Philippines.

Delfin L. Lazaro**,** Filipino, 68, has served as member of the Board of ALI since April1996. He holds the following positions in publicly listed companies: Director of Ayala Corporation, Integrated Micro-Electronics, Inc., Manila Water Company, Inc., and Globe Telecom, Inc.; and Independent Director of Lafarge Republic, Inc.His other significant positions include: Chairman of Philwater Holdings Company, Inc. and Atlas Fertilizer & Chemicals Inc.; Chairman and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Energy Holdings, Inc., AC Infrastructure Holdings Corporation, Ayala International Holdings, Ltd., Bestfull Holdings Limited, Probe Productions, Inc. and Empire Insurance Company; and Trustee of Insular Life Assurance Co., Ltd. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Rizalina G. Mantaring, Filipino, 55, has served as an Independent Director of ALI since April 2014. She holds the following position: Country Head for the Sun Life Financial group of companies in the Philippines, President and CEO of the flagship Sun Life of Canada (Philppines) Inc., Director of Sun Life of Canada (Philippines) Inc., Sun Life Financial Plans, Sun Life Asset Management Co. Inc., Sun Life Financial Philippine Holding Co. Inc., Sun Life Grepa Financial, Inc. and Grepalife Asset Management Corporation;

Independent Director of Microventures Foundation Inc. She is also the Chair of Sun Life Financial-Philippines Foundation, Inc., and a member of the Makati Business Club, Management Association of the Philippines, Financial Executives of the Philippines and Women Corporate Directors Philippines. In 2010, she was selected as one of the 100 Most Outstanding Alumni of the past century by the University of the Philippines College of Engineering. In 2011, she was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance. She is also a recipient of the 2011 CEO EXCEL award given by the International Association of Business Communicators. She is a BS Electrical Engineering, cum laude, graduate of the University of the Philippines. She obtained her MS degree in Computer Science from the State University of New York at Albany.

Vincent Y. Tan, Filipino, 64, has been a director of ALI since April 2014. Prior to retiring from active management in April 2014, he was an Executive Vice President and Head of the Planning Group and a member of the Management Committee of ALI. He continues to provide informal inputs and training in sustainability and other topics of interest to the ALI management team.He graduated with a degree of BS Management Engineering from Ateneo de Manila University, a Masters Degree in Business Administration Concentrations in Management Science and Finance from The University of Chicago, and a Certificate in Sustainable Community Development from Simon Fraser University in Vancouver.

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

All incumbent directors.

Management Committee Members / Key Executive Officers

Bernard Vincent O. Dy*	President and Chief Executive Officer
Arturo G. Corpuz**	Senior Vice President
Anna Ma. Margarita B. Dy***	Senior Vice President
Raul M. Irlanda	Senior Vice President
Jose Emmanuel H. Jalandoni	Senior Vice President
Emilio Lolito J. Tumbocon**	Senior Vice President
Jaime E. Ysmael	Senior Vice President, Chief Finance Officer, Chief Information Officer & Chief Compliance Officer
Dante M. Abando	Vice President
Leovigildo D. Abot****	Vice President
Augusto D. Bengzon	Vice President & Treasurer
Aniceto V. Bisnar, Jr.	Vice President
Manuel A. Blas II	Vice President
Maria Corazon G. Dizon	Vice President
Steven J. Dy	Vice President
Jose Juan Z. Jugo	Vice President
Laurent P. Lamasuta****	Vice President
Robert S. Lao	Vice President
Michael Alexis C. Legaspi	Vice President
Joselito N. Luna	Vice President
Christopher B. Maglanoc	Vice President
Romeo T. Menpin, Jr.	Vice President
William Thomas F. Mirasol	Vice President
Francis O. Monera**	Vice President
Rodelito J. Ocampo	Vice President
Angelica L. Salvador	Vice President
Ma. Rowena Victoria M. Tomeldan	Vice President
Solomon M. Hermosura	Corporate Secretary
June Vee D. Monteclaro-Navarro	Assistant Corporate Secretary

**Member of the Board*
***Retired effective December 31, 2014*
**** Senior Vice President effective January 1, 2015.*
*****Vice President effective January 1, 2015.*

Arturo G. Corpuz, Filipino, 59, is Senior Vice President and member of the Management Committee of ALI since 2008. He heads the Urban and Regional Planning Division and the Central Land Acquisition Unit of ALI. He is a Trustee of the Makati Parking Authority and a member of the Board of Aurora Properties, Inc. and of Vesta Properties Holdings, Inc. He is a former President of the Philippine Economic Society and a Fellow of the Foundation for Economic Freedom and the Philippine Institute of Environmental Planning. Mr. Corpuz received his baccalaureate degree in Architecture from the University of the Philippines in 1977 and his masteral and doctoral degrees in urban and regional planning from Cornell University in 1984 and 1989.

Anna Ma. Margarita B. Dy, Filipino, 45, is a Senior Vice President since January 1, 2015 and member of the Management Committee of Ayala Land, Inc. effective August 2008. She is the Head of the Strategic Landbank Management (SLMG) of ALI. Her other significant positions include: Director and Executive Vice President of Fort Bonifacio Development Corporation and is a Director of Aurora Properties, Inc., Vesta Properties Holdings, Inc., and CECI Realty, Inc. Prior to joining ALI, she was a Vice President of Benpres Holdings Corporation. She graduated magna cum laude from from Ateneo De Manila University with BS of Arts Degree in Economics Honors Program. She finished her Masters degree in economics from London School of Economics and Political Science UK 1991 and MBA at Harvard Graduate School of Business Administration Boston.

Raul M. Irlanda, CFM,Filipino, 59, is a Senior Vice-President of Ayala Land Inc. and a member of the Management Committee. He is the Chairman of the Board and Chief Executive Officer of Ayala Property Management Corporation, President and Chief Executive Officer and Director of Philippine Integrated

Energy Solutions Inc. and DirectPower Service, Inc., Board Member of Makati Development Corporation and MDC BuildPlus. He is also the Vice-President and Director of Tower One Condominium Corporation, and the first and only Filipino Certified Facility Manager (CFM) by the International Facility Management Association (IFMA), Governor of Ayala Center Estate Association (ACEA) and Makati Commercial Estate Association Inc. (MaCEA) also the head of Ayala Security Force (ASF), and Trustee YMCA Makati. He graduated with a degree of Bachelor of Science in Management/Finance from San Sebastian College, took Masteral studies in Business Administration major in Financial Management from De La Salle University. He also completed the Executive Development Program at the Aresty Institute of Executive Education at The Wharton School, University of Pennsylvania.

Jose Emmanuel H. Jalandoni, Filipino, 47, is Senior Vice President and member of the Management Committee of Ayala Land, Inc. He is Group Head of commercial businesses including malls, offices, hotels, resorts and ALI Capital. His other significant positions include: Chairman of AyalaLand Hotels and Resorts Corporation, Cebu Insular Hotel Co., Inc., Ten Knots Philippines, Inc., Ten Knots Development Corporation, Laguna Technopark, Inc.; Arvo Commercial Corporation; and ALI Commercial Center, Inc. He is also director of OCLP Holdings, Inc., North Triangle Depot Commercial Corporation, Alabang Commercial Corporation, Station Square East Commercial Corporation and Accendo Commercial Corporation. He is President and CEO of Ayala Hotels, Inc., Member of the Investment Committee of Arch Capital Asian Partners, GP (Cayman) and KHI-ALI Manila, Inc. He joined ALI in 1996 and held various positions in the company. He graduated with a degree of Bachelor of Science in Legal Management from Ateneo de Manila University. He finished Masters Degree in Business Administration from Asian Institute of Management. He is a Chartered Financial Analyst.

Emilio Lolito J. Tumbocon, Filipino, 57, is a Senior Vice-President at ALI, and a member of its Management Committee. He is the Group Head of the Visayas-Mindanao Group and the Human Resources & Public Affairs Group. His other significant positions are Director of the following companies: Cebu Holdings, Inc., Cebu Property Ventures Development Corporation, Cebu Insular Hotel Co., Inc., Cebu District Property Enterprise, Inc., Accendo Commercial Corporation, Cagayan de Oro Gateway Corporation, Taft Punta Engaño Property, Inc., Alveo Land Corporation, Amaia Land Corporation, Makati Development Corporation, MDC Buildplus, Inc., MDC Equipment Solutions, Inc., MDC Subic, Inc., Ecozone Power Management, Laguna Technopark, Inc., Anvaya Cove Golf & Sports Club, Inc., Northgate Hotel Ventures, Inc., ALI Makati Hotel Property, Inc., ALI Makati Hotel and Residences, Inc., Aviana Development Corporation, Ayala Land Hotels and Resorts Corporation, Cebu Leisure Company, Inc., Lagdigan Land Corporation, Corp Southcrest Hotel Ventures, Inc., Westview Commercial Ventures Corporation, Avencosouth Corporation, Whiteknight Holdings, Inc., Asian-I Office Properties, Inc. and Adauge Commercial Corporation. He graduated at the University of the Philippines with a degree of B.S. in Civil Engineering in 1979 and finished his Masters in Business Administration (MBA) in the same university in 1985. He also took the Construction Executive Program (CEPS ’87) at Stanford University, California, U.S.A., the Senior Business Executive Program (SBEP’91) at the University of Asia & the Pacific, and The Executive Program (TEP’97) at the Darden Graduate School of Business Administration, University of Virginia, U.S.A. He is a member of the Construction Industry Arbitration Commission of the Construction Industry Authority of the Philippines, Department of Trade & Industry andis a certified Project Management Professional (PMP) of the Project Management Institute since 2006. He has 35 years of extensive work experience in the construction and real estate industry.

Jaime E. Ysmael, Filipino, 54, is a Senior Vice President, Chief Finance Officer, Chief Information Officer, Compliance Officer and member of the Management Committee of ALI. Concurrently, he is a Managing Director of Ayala Corporation and recently, was elected as Chairman, President & Chief Executive Officer of OCLP Holdings, Inc. (An Ortigas Company). His other significant positions include: Chairman of the Board of Directors of Aprisa Business Process Solutions, Inc.; Director and Vice Chairman of CMPI Holdings, Inc.; Chairman and President of Tower One & Exchange Plaza Condominium Corporation; Director and Treasurer of Ayala Land International Sales, Inc., Ayala Land Sales, Inc., Alveo Land Corp., Laguna Technopark, Inc., Serendra, Inc., Ayala Hotels, Inc., Ayalaland Hotels and Resorts Corporation, Cebu Holdings, Inc., and Philippine Integrated Energy Solutions, Inc.; Director, Treasurer and Compliance Officer of Anvaya Golf and Sports Club; Director of Alabang Commercial Corp., Amaia Land Corp., Avida Land Corp., North Triangle Depot Commercial Corp., Station Square East Commercial Corp., Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Properties Holdings, Inc; and Treasurer of Cebu Property Ventures and Development Corporation. He is also the President of the Financial Executives Institute of the Philippines and is a member of the Board of Directors of the Asia Pacific Real Estate Association Ltd. Philippine Chapter.Mr. Ysmael holds a degree in Business Administration, Major in Accounting (Summa Cum Laude) at the University of the East, Manila, Philippines and is a Certified Public Accountant. He earned an MBA, Major in Finance, at The Wharton School and an MBA in International Studies at The School of Arts and Sciences of the University of Pennsylvania in Philadelphia, Pennsylvania, USA, as a fellow of The Joseph H. Lauder Institute of Management and International Studies.

Dante M. Abando, Filipino, 50, is a Vice President and Member of the Management Committee of ALI. He is concurrently President and a Member of the Board of Directors of Makati Development Corporation, MDC BuildPlus, Inc., MDC Conqrete, Inc., MDC Equipment Solutions, Inc., and MDC Subic. His other significant positions include Director of Alveo Land Corp., Avida Land, Corp., Serendra, Inc., and Anvaya Cove Golf and Sports Club, Inc. He is currently the First Vice President of the Philippine Constructors Association and, Member of the Board of Trustees and the Treasurer of the UP Alumni Engineers. He graduated with a degree of B.S. Civil Engineering from the University of the Philippines in 1986 and took up his MBA in the same university in 1995. He underwent an Executive Program on Real Estate Management at the Harvard University Graduate School of Business in 2012.

Leovigildo D. Abot, Filipino, 51, is currently Vice President and Chief Audit Executive (CAE) of Ayala Land, Inc. He joined ALI in 2000 as Chief Finance Officer (CFO) of Ayala Hotels, Inc. Over the years in ALI, he occupied several CFO positions in other ALI's business units such as Avida Land Corporation, Land and Community Development Group or LCDG (now ALP) and Strategic Landbank Management Group (SLMG). Prior to Audit, he was the Head of ALI's Corporate Accounting Division, concurrent to his CFO assignment in SLMG. As ALI's Principal Accounting Officer, he led the transformation initiative of consolidating the transactional accounting functions of more than 25 ALI companies into Aprisa Business Process Solutions, Inc. He also headed ALI's transition to international accounting and reporting standards (IAS/IFRS). He graduated Magna Cum Laude from University of the East- Manila with BS in Business Administration, major in Accounting (Honors Program) in 1984. A Certified Public Accountant, he completed his Strategic Business Economics Program (SBEP) at University of Asia and the Pacific from 1999 to 2000.

Augusto D. Bengzon, Filipino, 50,joined ALI in December 2004 as Vice President and Treasurer. His other significant positions include: Treasurer of Avida Land Corporation, Makati Development Corp.,Roxas Land Corporation, Aurora Properties, Inc., Vesta Properties Holdings, Inc., CECI Realty, Inc and the HERO Foundation; Director of the Anvaya Cove Golf and Sports Club; Trustee of the PNP Foundation, Inc., and the Dr. Fe del Mundo Medical Center Foundation Phils., Inc. Prior to joining ALI, he was Vice President and Credit Officer in Global Relationship Banking at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Portfolio Management, Structuring, Debt Syndication and Relationship Management.He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted a full scholarship at the Asian Institute of Management where he received his Masters in Business Management degree.

Aniceto V. Bisnar, Jr., Filipino, 51, is a Vice President of Ayala Land, Inc. since January 2009. He is currently the President of publicly listed companies Cebu Holdings, Inc and Cebu Property Ventures & Development Corp. He is also the Chief Operating Officer of the Visayas-Mindanao Group of Ayala Land, Inc. His other significant positions are: Chairman and President of Taft Punta Engano Property, Inc. and Cebu Business Park Association, Inc., Chairman, North Point Estate Association, Inc., Chairman and Director Amaia Southern Properties, Inc., Vice Chairman of SouthPortal Properties, Inc., President of Cebu Leisure Company, Inc., Vice President of Asian I-Office Properties, Inc., Director and President of CBP Theatre Management Company, Inc.,Director of Cebu District Property Enterprise, Inc., Accendo Commercial Corporation, Westview Commercial Ventures Corp., Adauge Commercial Corporation, Cagayan de Oro Gateway Corporation, Bonifacio Estates Services Corp., Bonifacio Gas, Inc., Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Property Holdings, Inc., HLC Development Corporation and Board of Trustee of the Hero Foundation, Inc. He completed his Masters in Business Management (MBM) degree in 1989 from the Asian Institute of Management (AIM) in Makati City and graduated in the top 5% of his class at the Philippine Military Academy in Baguio City in 1985. He also took up Master Planning and Mixed-Use Development at Harvard University School of Urban Design.

Manuel A. Blas II, Filipino, 59, is a Vice-President of Ayala Land Inc. since January 2007, and is currently the Head of Commercial Operations in Fort Bonifacio Development Corporation. He is also assigned as Managing Director of Bonifacio Arts Foundation, Inc. He spearheaded the project development of The Mind Museum, the first world class science museum in the country. He also holds other significant positions in Fort Bonifacio Development Corporation Subsidiaries: President of Bonifacio Estate Services Corporation, Executive Vice President of Bonifacio Transport Corporation, Director of Bonifacio Water Corporation and Bonifacio Gas Corporation. He graduated Valedictorian, Summa Cum Laude from De La Salle University with a Bachelor’s Degree in Liberal Arts, major in Economic and Theology. And also completed his Masters in Arts degree in Religious Studies in 2004 and graduated as Summa Cum Laude from Maryhill School of Theology.

Maria Corazon G. Dizon,Filipino, 51, is a Vice President and Head of ALI-Capital Corp. which is ALI's wholly-owned vehicle for new businesses that include Retailing Businesses (convenience stores, department stores and supermarkets), Entertainment, Tourism Estate developments, Transportation, Power and Asset Management. She holds the following significant positions in the following companies: Director of ALI Capital Corp., Philippine Family Mart CVS, Inc., SIAL Specialty Retailers, Inc., SIAL CVS Retailers, Inc. and AyaGold Retailers, Inc. Over the years in ALI, she occupied various key positions including Business Development and Strategic Planning Head, Asset Management Head and Chief Finance Officer for the Ayala Malls Group, Head of Corporate Control and Analysis Division, Head of ALI Investor Relations Unit and Chief Finance Officer of Residential and Office Buildings Groups. She graduated with a degree on BSC Accounting from the University of Sto. Tomas in 1984 and earned Masters in Business Administration degreefrom the De La Salle Graduate School in 2006.

Steven J. Dy, *Filipino*, 50, is a Vice President of ALI since December 2010 assigned to the international initiative of the company in China, Myanmar, Vietnam and Canada. Prior to this assignment, he was with the corporate business group for three years heading one of the project development groups and the business development. He had the same responsibilities when he was with Avida Land Corporation. Last December 2014, he was appointed as the new CFO of AyalaLand Inc.’s healthcare division. He graduated from De La Salle University in 1985 with a degree in Bachelor of Science in Business and Economic major in Accounting. He has completed the academic units for the Masteral Degree in Business Administration from the same university in 1992.

Jose Juan Z. Jugo, Filipino, 43, has been Vice President of ALI since January 2013. His is currently the Group Head for Ayala Land Premier. His other key functions are as Chairman of Ayala Land Sales, Inc., South Portal Properties, Inc., Anvaya Environmental Foundation, Inc., Ayala Club Management, Inc., and Verde Golf Development Corporation. He is also President & CEO of Anvaya Cove Beach and Nature Club, and Anvaya Cove Golf and Sports Club. He is likewise a Board Director in BG West Properties, Inc., Roxas Land Corporation, Bella Vita Land Corporation, Aviana Development Corporation, Ayala Greenfield Development Corporation, Ayala Greenfield Golf & Leisure Club, and Amicassa Process Solutions, Inc. He earned his Bachelors Degree in Marketing Management from De La Salle University Manila in 1994, and completed his Masteral Studies in ESEM, Madrid, Spain in 1995. Before joining ALI in 2000, he held management positions in the fast moving consumer goods sector.

Laurent P. Lamasuta, 49, French/Filipino, is a Vice President of ALI since January 2015 and is currently Executive Vice President of APMC (Ayala Property Management), heading the Residential and Estates Groups. Prior to joining APMC, he was President and CEO of Ten Knots Development Corporation, developer, operator and manager of El Nido Resorts comprising of four eco-tourism island resorts: Miniloc Island, Lagen Island, Apulit Island and ultimate eco-luxury hideaway, Pangulasian Island. Mr. Lamasuta has had several posts with the international luxury hotel industry with stints in independent top properties like The Ritz in Paris, the Dorchester in London, The Manila Hotel in Manila as well as international brands like Intercontinental Hotels, Ritz-Carlton Hotels and Le Meridien Hotels. Previously he was a Senior Advisor of Ayala Land for member and customer relations of its Residential Business Group. He Joined Ayala Land in 2005 to open Ayala Greenfield Golf and Leisure Club, Inc., and Anvaya Cove Beach and Nature Club. Some of Mr. Lamasuta’s Board Directorships include Ten Knots Development Corporation, Ten Knots Philippines, Bacuit Bay Development, Chirica Corp., Ayala Greenfield Golf and Leisure Club, Anvaya Beach and Nature Club, Ayala Club Management Inc., The Philippine Hotel Federation Inc., Anvaya Cove Foundation, El Nido Foundation. He graduated from College “La Rostagne,” in Antibes, France, and further gained a degree in tourism and hotel management in 1985 with the following qualifications: Certificat d’Aptitude Professionnelle (C.A.P.), Brevet d’Enseignement Professionel (B.E.P.), and Brevet de Technicien Hotelier (B.T.H.) from the Lycee d’Hotellerie et de Tourisme, in Nice, France. He is a recipient of the Hotel and Catering International Management Association (HCIMA) Certificate and License in Hotel Management given by the Westminster College in London, England.

Robert S. Lao, Filipino, Filipino, 41, is a Vice President of Ayala Land, Inc. and concurrently the President and a member of the Board of Directors of Alveo Land Corp since January 2012. He is also a member of the Board of Directors of Serendra, Inc. and BG South Properties, Inc., and the Chief Operating Officer of Portico Land Corp. Prior to joining Ayala Land, Inc., he served as Senior Process Engineer of Fujitsu Computer Products Corporation of the Philippines (FCPP) and Lead Process Engineer of PT. Quantum Electronics in Indonesia. He is a licensed Real Estate Broker. He studied at the University of Santo Tomas (UST) and graduated cum laude in Bachelor of Science in Industrial Engineering in 1995. He completed his Masters in Business Management (MBM) degree in 2001 from the Asian Institute of Management (AIM) and attended the International Student Exchange Program from University of Cologne in Germany.

Michael Alexis C. Legaspi, Filipino, 56, is a Vice President of ALI since July 2009, and is currently the Chief Operating Officer of Ayala Hotels, Inc. &AyalaLand Hotels & Resorts Corp. He serves as the President of Enjay Hotels, Inc., Cebu Insular Hotels Co. Inc., Greenhaven Property Ventures, Inc., Southcrest Hotel Ventures, Inc., Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Eco South Hotel Ventures, Inc. Mr. Legaspi is also a Director of AyalaLand Hotels & Resorts Corp, KHI-ALI Manila, Inc., Ten Knots Development Corp., and Ten Knots Phils., Inc. He previously held the following positions: Head of Sales Division of ALI, Resident Manager of Oakwood Premier Ayala Center and Senior Vice President and Head of Operations of Ayala Property Management Corporation. He graduated with a degree of B.S. Hotel Restaurant Administration from the University of the Philippines, Diliman in 1980.

Joselito N. Luna, Filipino, 51, is a Vice President and member of Ayala Land's Management Committee since August 2008. He is also Ayala Land, Inc.'s Chief Architect and Head of Innovation and Design. His other significant positions include: Director of Vesta Properties Holdings, Inc., Aurora Properties, Inc., Anvaya Beach and Nature Club Inc. and a member of the Board of Trustees of Philippine Green Building Council. He is also a member of ALI's Technical Council. He graduated with a degree of B.S. Architecture from the University of the Philippines in 1985. He took graduate studies in the School of Urban and Regional Planning in U.P. Diliman from 1987 to 1989. In 2003 he completed the Executive Education Program of the University of Michigan Business School, Ann Arbor.

Christopher B. Maglanoc, Filipino, 44, is a Vice President of ALI since April 2013 and is currently President of Avida Land Corporation. He was Chief Operating Officer and Head of the Project and Strategic Management in Avida Land before he was elected as president of the Company effective January 1, 2012. Prior to his stint in Avida in 2004, he occupied Management positions in various business units in Ayala Land, Inc. (i.e. Commercial Centers, Corporate Planning, and Alveo Land, Inc.). His other significant positions include: Chairman of Avida Sales Corp.; President of Avencosouth Corp.; Director of AmicaSSA Process Solutions, Inc. and BG North Properties, Inc. He graduated from UP Los Baños with degrees in BS Economics and BA Sociology. He finished his MBA from the Asian Institute of Management.

Romeo T. Menpin, Jr, Filipino, 45, is a Vice-President of ALI since January 2014 and is currently the President Chief Operating Officer of Ayala Property Management Corporation (APMC). He was Chief Operating Officer of APMC before he was elected as president of the Company effective July 2012. He joined ALI in May 2008 from Kuok Group of Companies where he was Vice President and Head of Mall Operations of Shangri-la Plaza Corporation. Prior to this, he also held various management positions from APMC and Laguna Technopark, Inc. since 1996. He graduated with a degree of Bachelor of Science in Mechanical Engineering from Mapua Institute of Technology and completed units in Masters in Business Administration from De La Salle University in 2001.

William Thomas F. Mirasol**,** Filipino, 50, is a Vice President of Ayala Land, Inc since January 2014 and is currently the Head of Sales & Marketing for the Residential Business Group. Concurrent to this, he is President of Ayala Land International Sales Inc. and a director of a number of Ayala Land subsidiaries. In his 23 years with the company, he has handled various business lines including retail operations, commercial project development, commercial leasing and operations, Land & House development and sales force organization & management for local and international markets. He graduated from De La Salle University Manila with a degree in Commerce in 1989. He finished his MBM from the Asian Institute of Management in 1992.

Francis O. Monera, Filipino, 60, was a Vice President of ALI from 2006 to 2014. He served as the President of two publicly listed companies namely: Cebu Holding, Inc. and Cebu Property Ventures and Development Corporation. He was the Chief Operating Officer of CHI before he was elected president of the Company effective January 1, 2007. He also holds the position of Vice President of Ayala Land, Inc.

Before joining ALI, he was the senior AVP/Corporate Controller of Philippine National Construction Corporation. He served as President of the Cebu Chamber of Commerce and Industry from February 2006 to 2008and is currently a member of the Board of Trustees.He graduated with a degree of BS Commerce Major in Accountancy (Magna Cum Laude) from Manuel L. Quezon University in 1978 and took Masters in Business Administration at the Ateneo Graduate School of Business in 1985. Mr. Monera is a Certified Public Accountant.

Rodelito J. Ocampo, Filipino, 52, is a Vice President of ALI since December 2010. He is currently Makati Development Corporation's (MDC) Head of Construction Operations and the President and General Manager of MDC BuildPlus. Before his MDC assignment, he served as Technical Services Head of Avida Land Corp. and Alveo Land Corp., wholly owned subsidiaries of ALI and Head of the Construction Management of ALI Residential Buildings. Prior to joining ALI, he was employed by a construction firm where he held various engineering and project management positions for a period of 10 years. He graduated from the Mapua Institute of Technology with a degree in BS Civil Engineering in 1983.

Angelica L. Salvador, Filipino, 52, is a Vice President of Ayala Land, Inc. since April 2014, and is currently the Controller of the Company. Her other key functions are: President of AmicaSSa Process Solutions, Inc. and Aprisa Business Process Solutions, Inc. , and Member of the Board of Directors of Amaia Land Corp. Prior to her current assignment, she was Chief Finance Officer of the ALI Residential Business Group and of various ALI-owned subsidiaries Alveo Land Corp., Ayala Property Management Corp., Laguna Technopark, Inc. and Ayala Land International Sales, Inc. Before joining Ayala Land, she was part of the Internal Audit Team of Ayala Corporation.She graduated cum laude from the University of the Philippines (UP), Diliman with degree in BS Business Administration and Accountancy. She finished her MBA from the Asian Institute of Management.

Ma Rowena Victoria M. Tomeldan, Filipino, 53, is Vice President of ALI since January 2005. She currently heads Operations and Support Services, Commercial Business Group. Her other significant positions include: Director of Bonifacio Global City Estate Association, ALI-CII Development Corporation, Alabang Commercial Corporation; Chairman of the Board of Directors of Ayala Land Malls, Inc. (formerly Solerte), Primavera Towncentre, Inc., Ayala Theatres Management, Inc., Five Star Cinema, Inc., Leisure and Allied Industries Phils., Inc., Cavite Commercial Town Centre Inc., Subic Bay Town Center, Inc., South Innovative Theatre Management, Inc., and North Beacon Commercial Corporation, Westview Commercial Ventures Corporation, North Ventures Commercial Corporation; Vice-Chairman of the Board of Directors of Lagoon Development Corporation, Ayalaland Metro North, Inc.; President of ALI Commercial Center Inc, Soltea Commercial Corp, Cagayan De Oro Gateway Corporation, Station Square East Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc., Ecozone Power Management, Inc., Arvo Commercial Corporation, Summerhill Commercial Ventures Corp; Executive-Vice President of Accendo Commercial Corporation; and Governor of the Ayala Center Estate Association, Inc.; Presently, she is a board member of the International Council of Shopping Centers (ICSC) -Asia Advisory Board and is a 2015 ICSC Trustees Distinguished Service Awardee. She is a cum laude graduate of Bachelor of Arts in Economics with Masters in Business Administration (MBA) at the University of the Philippines. She took the Executive Development Program at the Aresty Institute of Executive Education in. Wharton University, Pennsylvania, USA.

Solomon M. Hermosura, Filipino, 52, has served as Corporate Secretary of the Company since April 2011 and the General Counsel of the Company since April 2014. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc. and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

June Vee D. Monteclaro-Navarro, Filipino, 43, is the Assistant Corporate Secretary and Deputy General Counsel of Ayala Land, Inc. since April 2014. She is a Director and Corporate Secretary of AG Counselors Corp. Currently, she holds the position of Corporate Secretary of Alabang Commercial Corporation, Alveo Land Corp., Asterion Technopod Incorporated, Avencosouth Corp., Avida Land Corp., Avida Sales Corp., Ayala Land Sales, Inc., Ayala Retirement Fund Holdings, Inc., Buklod Bahayan Realty & Development Corporation, Cebu Holdings, Inc., Cebu Property Ventures and Development Corporation, North Triangle Depot Commercial Corporation, OLC Development Corporation and Southportal Properties, Inc.; and

Assistant Corporate Secretary of Ayala Corporation and Alinet.Com, Inc. She earned a Bachelor of Laws degree from the University of the Philippines in 1997.

Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

Family Relationships

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

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

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

a. None of them has been involved in any bankruptcy petition.

b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding, both domestic and foreign.

c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.

d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Directors and Executive Officers

Directors Article IV Section 17 of the Company's By-Laws provides:

"Section 17 – Each director of the Corporation shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form, and structure of the fees and other compensation of directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.

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

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

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

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

Officers. The Company adopts a performance-based compensation scheme. The total annual compensation of the President and CEO and top four highly compensated executives amounted to ₱111.3 million in 2013 and ₱135.5 million in 2014. The projected total annual compensation for the current year is ₱141.6 million.

Total compensation paid to all senior personnel from Manager and up amounted to ₱779.1 million in 2013 and ₱981.2 million in 2014. The projected total annual compensation for the current year is ₱1,026.3 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Bernard Vincent O. Dy* President & CEO Arturo G. Corpuz Senior Vice President Raul M. Irlanda Senior Vice President Emilio Lolito J. Tumbocon Senior Vice President Jaime E. Ysmael Senior Vice President			
CEO & Most Highly Compensated Executive Officers	Actual 2013 (restated)	₱71.3M	₱40M
	Actual 2014	₱87.5M	₱48M
	Projected 2015	₱93.6M	₱48M **
All other officers*** as a group unnamed	Actual 2013 (restated)	₱503.1M	₱276M
	Actual 2014	₱656.4M	₱324.8M
	Projected 2015	₱702.3M	₱324M **

** Compensation includes full year effect of CEO and market adjustments to selected officers for retention purposes.*
*** Exclusive of Stock Option exercise.*
**** Managers and up.*

The total annual compensation paid to all senior personnel from Manager and up was all paid in cash. The total annual compensation includes the basic salary and other variable pay (performance bonus and exercise of Stock Option Plan).

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

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

Options Outstanding

Since1998, the Company has offered its officers options to acquire common shares under its executive stock option plan (ESOP). Of the above named officers, there were options covering 635,982 shares exercised in 2014 by the following officer:

Name	**No. of Outstanding Options**	**No. of Options Exercised**	**Date of Grant**	**Exercise Price**	**Market Price at Date of Grant**
Arturo G. Corpuz	-	635,982	Various	3.96*	5.30*
All other officers** as a group unnamed	2,858,360	4,988,999	Various	4.38*	5.93*

** Average prices*
***Managersand up*

The Company has adjusted the exercise price of the options awarded to the above named officers due to the stock dividend paid in June 2007. For other details on Stock Options, please refer to Note 28 ("Stock Options and Ownership Plans") of the Notes to Consolidated Financial Statements of the 2014 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 2015

Title of Class	**Name, address of Record Owner and Relationship with Issuer**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**No. of Shares Held**	**Percent** (of outstanding shares)
Common	Ayala Corporation[1] 34/F, Tower One, Ayala Triangle Ayala Ave., Makati City	Ayala Corporation[2]	Filipino	6,934,509,515	24.99658%
Preferred				12,163,180,640	43.84419%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg.Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[4]	Various	2,338,961,627	8.4312%
Common	PCD Nominee Corporation (Non-Filipino)[4] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Management Asia Limited[5]	Singaporean	1,964,550,511	7.08155%
Common	PCD Nominee Corporation (Filipino)[4] G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[5]	Filipino	1,582,426,550	5.7041%
Common	PCD Nominee Corporation (Non-Filipino)[4] G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Managers Limited[6]	British	1,560,285,334	5.6243%

(b) Security Ownership of Directors and Management (Executive Officers) as of January 31, 2015

Title of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Citizenship**	**Percent** (of outstanding shares)
Directors				
Common	Fernando Zobel de Ayala	12,000 (direct)	Filipino	0.00004%
Common	Jaime Augusto Zobel de Ayala	12,000 (direct)	Filipino	0.00004%
Common	Bernard Vincent O. Dy	9,009,797 (direct &Indirect	Filipino	0.03248%
Common	Antonino T. Aquino	20,305,226 (direct &indirect)	Filipino	0.07319%
Common	Vincent Y. Tan	13,692,271 (direct & indirect)	Filipino	0.05008%
Common	Jaime C. Laya	10,000 (direct)	Filipino	0.00004%
Common	Delfin L. Lazaro	1 (direct)	Filipino	0.00000%
Common	Francis G. Estrada	1 (direct)	Filipino	0.00000%
Common	Rizalina G. Mantaring	1 (direct)	Filipino	0.00000%
CEO and Most Highly Compensated Executive Officers				
Common	Bernard Vincent O. Dy	9,009,797 (direct &indirect)	Filipino	0.03248%
Common	Arturo G. Corpuz*	5,520,146 (direct & indirect)	Filipino	0.01990%
Common	Raul M. Irlanda	791,007 (direct &indirect)	Filipino	0.00285%
Common	Emilio Lolito J. Tumbocon*	8,835,469 (direct & indirect	Filipino	0.03185%
Common	Jaime E. Ysmael	8,257,729 (direct & indirect)	Filipino	0.02977%
Other Executive Officers				
Common	Dante M. Abando	2,378,064 (direct & indirect)	Filipino	0.00872%
Common	Leovigildo D. Abot	363,189 (direct & indirect)	Filipino	0.00131%
Common	Augusto D. Bengzon	1,816,268 (indirect)	Filipino	0.00655%
Common	Aniceto V. Bisnar, Jr.	1,102,919 (indirect)	Filipino	0.00398%
Common	Manny A. Blas II	1,349,511 (direct & indirect)	Filipino	0.00486%
Common	Ma. Corazon G. Dizon	949,636 (direct & indirect)	Filipino	0.00342%
Common	Anna Ma. Margarita B. Dy	4,693,853 (indirect)	Filipino	0.01692%
Common	Steven J. Dy	1,032,969 (direct &indirect)	Filipino	0.00372%

[1]*Ayala Corporation ("AC") is the parent of the Company.*
[2] *Under the By-laws and the Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.*
[3]*PCD is not related to the Company.*
[4]*Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. Out of the 3,921,388,177 common shares registered in the name of PCD Nominee Corporation, 1,942,832,804 or 7.0033% of the voting stockis for the account of Deutsche Bank Manila (DB). The Company has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of DB or any of its customers beneficially owns more than 5% of the Company's common shares.*
[5]*Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited (collectively, "Aberdeen") are the clients of a participant of PCD. Aberdeen has the power to decide how their shares in the Company are to be voted.*

Common	Jose Emmanuel H. Jalandoni	4,066,632 (indirect)	Filipino	0.01466%
Common	Jose Juan Z. Jugo	269,151 (indirect)	Filipino	0.00097%
Common	Laurent P. Lamasuta	4,190,075 (direct & indirect)	Filipino	0.00798%
Common	Robert S. Lao	561,717 (indirect)	Filipino	0.00202%
Common	Michael Alexis C. Legaspi	3,352,401 (indirect)	Filipino	0.01208%
Common	Joselito N. Luna	3,568,325 (direct & indirect)	Filipino	0.01286%
Common	Christopher B. Maglanoc	520,879 (indirect)	Filipino	0.00188%
Common	Romeo T. Menpin, Jr.	274,268 (indirect)	Filipino	0.00099%
Common	William Thomas F. Mirasol	171,810 (indirect)	Filipino	0.00062%
Common	Francis O. Monera*	1,350,202 (direct & indirect)	Filipino	0.00487%
Common	Rodelito J. Ocampo	1,098,675 (direct & indirect)	Filipino	0.00396%
Common	Angelica L. Salvador	818,575 (direct & indirect)	Filipino	0.00295%
Common	Ma. Rowena M. Tomeldan	1,293,368 (direct & indirect)	Filipino	0.00466%
Common	Solomon M. Hermosura	480 (direct)	Filipino	0.00000%
Common	June Vee D. Monteclaro-Navarro	54,118 (indirect)	Filipino	0.00020%
All Directors and Officers as a group		**99,786,199**		**0.35970%**

** Retired effective December 31, 2014*

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

(c) Voting Trust Holders of 5% or more
The Company knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

(d) Changes in Control
No change of control in the Company has occurred since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

Related Party Transactions

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

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

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

Please refer to Note 25 (“Related Party Transactions”) of the Notes to Consolidated Financial Statements of the 2014 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

Parent Company / Major Holders

As of January 31, 2015, Ayala Corporation owns 68.85% of the total outstanding voting shares of the Company.

PART V – CORPORATE GOVERNANCE

Item 13. Compliance with leading practice on Corporate Governance

Please refer to the attached ACGR.

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report:

2014 Consolidated Audited Financial Statements

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

The following current reports have been reported by Ayala Land during the year 2014.

Standard Disclosures
Public Ownership Report *List of Top 100 Stockholders* *Joint Venture Agreement with Aboitiz Land in Mandaue Cebu* *Notice of Annual or Special Stockholder's Meeting* *Notice of Analysts'/ Investors' Briefing* *Compliance Report on Corporate Governance* *Declaration of Cash Dividends* *Amendment to Articles of Incorporation* *Nomination Committee endorsement to the Board of Directors of election of Mr. Bernard Vincent O. Dy* *Public Ownership Report* *Board Meeting Results* *Mandarin Renewal* *ALI Revised Corporate Governance Manual* *Approval of AOI and BL* *Attendance of ALI Officers on ACGR Seminar* *ALI Partners with SM in Ortigas* *Attendance of ALI Officers in ICD Seminar* *ALI Purchase Anglo interest in NTDCC* *ALI Purchase proportionate share in Anglo in NTDCC*
Clarification of News Reports
Ayala Land expanding retail portfolio *Ayala Land acquires Mitsubishi Corporation's 40% stake in Philippine Integrated Energy Solutions, Inc.* *ALI Allots P7B for new township in Bulacan* *ALI Acquires 20-ha Binangonan lot from IRC Properties* *ALI to raise Hotel Capex* *ALI to issue P15 B bonds* *Exchangeable Bonds* *ALI to Launch Myanmar, Vietnam projects* *Submission of bids for P2.5b ITS deal* *ALI adds P65b in outlay for Makati expansion* *Laguna Lakeshore Project* *ALI forecasts 20pct Growth in Profits* *ALI, RLC, 6 others eye GSIS assets* *ALI to invest P75B in Porac Township projects* *Various news articles- BHI, Jaka and STI* *Ayala Towers to raise P20b in Sales* *ALI News Biz Buzz hot item*

ALI Defers Homestarter Bonds
CA ruling favors Ayala Group, SM loses control of Ortigas holding firm
(Philstar) ALI sees robust earnings growth in 6 years
Ayala Land Formalizes its interest anew in Paranaque reclamation
Ayala Denies making new offer for Puerto Azul
Merry-Go-Round Column Naming Nominees to the Board of Directors
ALI Partner expanding medical venture
Ayala Targets Transpo hub of metro
Ayala Land readies fund raising and ÄLI invests P80B to develop former FTI property

(c) Reports under SEC Form 17-C filed

All items under item b are files with the SEC and PSE

(d) Material events subsequent to the end of the reporting period that have not been reflected in the financial statements of the reporting period

On February 20, 2015, the BOD approved the declaration of cash dividends amounting to P0.2075 per outstanding common share paid out on March 20, 2015 to shareholders on record as of March 6, 2015.

Further, on the same date, the BOD also declared annual cash dividends of 4.74786% per year or P0.00474786 per share to all shareholders of the Company's unlisted voting preferred shares. These will be paid out on June 29, 2015 to shareholders on record as of June 15, 2015.

On April 6, 2015, Ayala Land, Inc., through its wholly-owned subsidiary, Regent Wise Investments Limited, has acquired 9.16% of the shares of Malaysian company GW Plastics Holdings Bhd., to be renamed MCT Bhd., through a private placement for a total amount of US$43 Mn or P1.9 Bn. MCT (or Modular Construction Technology) Bhd., first established in 1999 as a construction company, is a property development company specializing in mixed-use projects that include retail, office, hotel, and mid- to affordable residential. The company is able to deliver projects at lower costs by adhering to a modular construction technique and by being an integrated builder with an in-house design team, inhouse trading company, direct execution of specialist works and its own pre-cast and ready-mixed concrete plants. The company has several ongoing projects in OneCitySubang Jaya and Cyberjaya, as well as a landbank in Dengkil, 1.5km away south of Cyberjaya, all located in the Klang Valley in Malaysia. By partnering with a company such as MCT, Bhd., Ayala Land will be expanding its footprint in Southeast Asia in line with its diversification goals and sets the platform for growth in Malaysia. This allows Ayala Land to enter the Malaysian market with an experienced team, benefit from synergies of the partnership, and further add value to MCT over the long term to enable it to be a key player in the Malaysian real estate market.

On April 8, 2015, Ayala Land, Inc. purchased all of the 8.2 million common shares of Aegis PeopleSupport Realty Corporation amounting to P435M. Aegis PeopleSupport Realty Corporation is a PEZA-registered entity and the owner of Aegis building along Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 square meters and is largely occupied by Teleperformance under a long-term lease. This acquisition is aligned with ALI's thrust of expanding its office leasing business.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on ________________

By:

Bernard Vincent O. Dy President / Chief Executive Officer	**Solomon M. Hermosura** Corporate Secretary
Jaime E. Ysmael Chief Finance Officer	**Angelica L. Salvador** Comptroller

SUBSCRIBED AND SWORN to before me this APR 15 2015 affiants exhibiting to me their respective Passports, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Bernard Vincent O. Dy	EB4700081	February 14, 2012	Manila
Solomon M. Hermosura	EB2913409	July 5, 2011	Manila
Jaime E. Ysmael	EB6092044	August 6, 2012	Manila
Angelica L. Salvador	EB5675861	June 18, 2012	Manila

Notary Public

Doc. No. 412;
Page No. 92;
Book No. II;
Series of 2015.

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

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

VERA M. DE GUZMAN-OCFEMIA
Notary Public - Makati City
Appt. No. M285 until December 31, 2016
Attorney's Roll No. 55764
PTR No. 4748072MC; 01-05-2015; Makati City
IBP Lifetime Roll No. 0012406
MCLE Compliance No. V-0004769; 12/03/2014
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

AYALA LAND, INC.
INDEX TO EXHIBITS
Form 17-A – Item 7

No.		
(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	n.a.
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(9)	Material Contracts	n.a.
(10)	2014 Consolidated Financial Statements: Ayala Land, Inc. and Subsidiaries (with notarized Statement of Management Responsibility)	Attached
	2014 Financial Statements of “significant” subsidiaries/affiliates which are not consolidated	n.a.
(13)	Letter re: Change in Certifying Accountant	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrant	50
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits	n.a.

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n.a. Not applicable or require no answer.

AYALA LAND, INC. – SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES
(As of December 31, 2014)

	Percentages of Ownership December 31, 2014
Real Estate:	
Alveo Land Corporation (Alveo)	**100%**
Serendra, Inc.	**39**
Solinea, Inc. (Solinea)	**65**
BGSouth Properties, Inc. (BGS)	**50**
Portico Land Corp. (Portico)	**60**
Serendra, Inc.	**28**
Amorsedia Development Corporation (ADC)	**100**
OLC Development Corporation and Subsidiary	**100**
HLC Development Corporation	**100**
Allysonia International Ltd.	**100**
Avida Land Corporation (Avida)	**100**
BuklodBahayan Realty and Development Corp.	**100**
Avida Sales Corp. and Subsidiaries	**100**
Amicassa Process Solutions, Inc.	**100**
Avencosouth Corp. (Avencosouth)	**70**
BGNorth Properties, Inc. (BGN)	**50**
Amaia Land Co. (Amaia)	**100**
Amaia Southern Properties, Inc. (ASPI)	**65**
Ayala Land International Sales, Inc. (ALISI)	**100**
Ayalaland International Marketing, Inc. (AIMI)	**100**
Ayala Land International (Singapore) Pte. Ltd	**100**
Ayala Land International Marketing (Hong Kong) Ltd	**100**
Ayala Land International Marketing, SRL	**100**
Ayala Land International Marketing, London	**100**
Ayala Land Sales, Inc.	**100**
Southportal Properties, Inc. (Southportal)	**65**
Buendia Landholdings, Inc.	**100**
Crans Montana Holdings, Inc.	**100**
Crimson Field Enterprises, Inc.	**100**
Ecoholdings Company, Inc. (ECI)	**100**
NorthBeacon Commercial Corporation (NBCC)	**100**
Red Creek Properties, Inc.	**100**
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**
AsterionTechnopod, Incorporated (ATI)	**100**
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation) (Westview)	**100**
Fairview Prime Commercial Corp. (formerly Gisborne Property Holdings, Inc.)	**100**
Hillsford Property Corporation (HPC)	**100**
Primavera Towncentre, Inc. (PTI)	**100**
Summerhill E-Office Corporation (Summerhill)	**100**
Sunnyfield E-Office Corporation (Sunnyfield)	**100**
Subic Bay Town Centre, Inc.	**100**
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	**100**

	Percentages of Ownership December 31, 2014
AyalaLand Real Estate Investments Inc.	**100**
AyalaLand Advisory Broadway Inc.	**100**
AyalaLand Development (Canada) Inc.	**100**
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**
Arvo Commercial Corporation (Arvo)	**100**
BellaVita Land Corporation (BellaVita)	**100**
Nuevo Centro, Inc. (Nuevo Centro)	**100**
Cavite Commercial Town Center, Inc.	**100**
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo))	**100**
One Dela Rosa Property Development, Inc.	**100**
First Gateway Real Estate Corp.	**100**
Glensworth Development, Inc. (Glensworth)	**100**
UP North Property Holdings, Inc.	**100**
Laguna Technopark, Inc. (LTI)	**75**
Ecozone Power Management, Inc.	**75**
Aurora Properties Incorporated	**78**
Soltea Commercial Corp.	**16**
Vesta Property Holdings, Inc.	**70**
Station Square East Commercial Corporation (SSECC)	**69**
Accendo Commercial Corp. (Accendo)	**67**
Avencosouth Corp.	**20**
Aviana Development Corporation	**7**
Aviana Development Corporation	**50**
Cagayan de Oro Gateway Corp. (CDOGC)	**70**
Ceci Realty, Inc. (Ceci)	**60**
Soltea Commercial Corp.	**12**
Soltea Commercial Corp.	**60**
CMPI Holdings, Inc.	**60**
CMPI Land, Inc.	**36**
ALI-CII Development Corporation (ALI-CII)	**50**
Roxas Land Corporation (RLC)	**50**
Adauge Commercial Corporation (Adauge)	**72**
Southgateway Development Corp. (SDC)	**100**
AyalalandMetroNorth, Inc. (AMNI)	**100**
Verde Golf Development Corporation	**100**
AyalaLand Club Management, Inc.	**100**
North Triangle Depot Commercial Corporation (NTDCC)	**64**
BGWest Properties, Inc. (BGW)	**50**
Lagdigan Land Corporation	**60**
Cebu Holdings, Inc. (CHI)	**50**
Taft Punta Engano Property, Inc.(TPEPI)	**55**
Cebu Property Ventures Development Corpand Subsidiary	**38**
Cebu Leisure Company, Inc.	**50**
CBP Theatre Management Inc.	**50**
Cebu Insular Hotel Company, Inc.	**19**
Solinea, Inc.	**18**
Amaia Southern Properties, Inc. (ASPI)	**18**
Southportal Properties, Inc. (Southportal)	**18**
Alabang Commercial Corporation (ACC)	**50**
South Innovative Theater Management (SITMI)	**50**
ALI Commercial Center, Inc.	**100**

	Percentages of Ownership December 31, 2014
Solerte, Inc.	**100**
Construction:	
Makati Development Corporation (MDC)	**100**
MDC Subic	**100**
MDCBuild Plus, Inc.	**100**
MDC Conqrete, Inc. (MCI)	**100**
MDC Equipment Solutions, Inc. (MESI)	**100**
Hotels and Resorts:	
Ayala Hotels, Inc. (AHI)	**50**
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	**80**
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	**80**
Asian Conservation Company Limited and Subsidiary	**100**
Enjay Hotels, Inc. (Enjay)	**100**
Greenhaven Property Venture, Inc. (GPVI)	**100**
Cebu Insular Hotel Company, Inc. (CIHCI)	**63**
Bonifacio Hotel Ventures, Inc.	**100**
Southcrest Hotel Ventures, Inc.	**67**
Northgate Hotel Ventures, Inc.	**70**
North Triangle Hotel Ventures, Inc.	**100**
Ecosouth Hotel Ventures, Inc.	**100**
Sentera Hotel Ventures Inc.	**100**
Econorth Resorts Ventures, Inc.	**100**
ALI Triangle Hotel Ventures, Inc.	**100**
Circuit Makati Hotel Ventures, Inc.	**100**
Capitol Centre Hotel Ventures, Inc.	**100**
Arca South Hotel Ventures, Inc.	**100**
ALI Makati Hotels & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	**20**
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	**20**
Ten Knots Phils, Inc. (TKPI)	**60**
Bacuit Bay Development Corporation	**60**
Ten Knots Development, Corp. (TKDC)	**60**
Chirica Resorts Corp.	**60**
Kingfisher Capital Resources Corp.	**60**
Property Management:	
Ayala Property Management Corporation (APMC)	**100**
Ayala Theatres Management, Inc. and Subsidiaries	**100**
DirectPower Services, Inc. (DirectPower)	**100**
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**
Entertainment:	
Five Star Cinema, Inc.	**100**
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**

	Percentages of Ownership December 31, 2014
Others:	
ALInet.com, Inc. (ALInet)	**100**
First Longfield Investments Limited (First Longfield) (Hongkong company)	**100**
Green Horizons Holdings Limited	**100**
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**
ALI Capital Corp. (formerly Varejo Corp.)	**100**
Whiteknight Holdings, Inc. (WHI)	**100**

AYALA LAND, INC.

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

SGV
Building a better
working world

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

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

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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and its subsidiaries as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, included in this Form 17-A, and have issued our report thereon dated February 20, 2015. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedules A to K listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751262, January 5, 2015, Makati City

February 20, 2015

SGVFS011022

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE A - Financial Assets
As of December 31, 2014

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NUMBER OF SHARE OR PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET	INCOME RECEIVED & ACCRUED
Loans and Receivables			
A. Cash in Bank		**Php 11,345,825,481**	**Php 963,293**
BPI			
Peso		7,370,047,630	913,931
Foreign Currency		61,062,818	141
Other Banks			
Peso		3,764,101,754	45,064
Foreign Currency		150,613,280	4,157
B. Cash Equivalents 1/		**17,299,997,974**	**284,537,141**
BPI			
Special Savings Account		5,938,111,547	31,258,274
Time Deposits		-	101,557,938
Others		5,925,002,332	36,010,000
Other Banks			
Special Savings Account		599,978,912	63,632,618
Time Deposits		-	6,267,298
Others		4,836,905,183	45,811,013
C. Loans and receivable		**76,427,980,976**	**3,343,826,261**
Trade		57,898,143,371	3,343,826,261
Advances to other companies		18,079,837,605	-
Investment in bonds classified as loans and receivables 2/		450,000,000	
D . Financial Assets at FVPL		**6,264,569,146**	**58,251,737**
Investment in UITF		5,607,838,612	58,251,737
Investment in Funds		656,730,534	
E. AFS Financial assets		**784,370,897**	**50,452,431**
TOTAL :		**Php 112,122,744,474**	**Php 3,738,030,862**

1/ Cash equivalents are short term, highly liquid investments that are made for varying period of up to three (3) months depending on the immediate cash requirements of the group and earn interest at the respective short term rates.

2/ Investment in bonds classified as loans and receivables pertain to the Company's investment in unsecured subordinated notes of Land Bank of the Philippines and Development Bank of the Philippines and Company's investment in collateralized bonds of First Metro Investment Corp.

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
As of December 31, 2014

NAME	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE		TOTAL
				CURRENT	NON-CURRENT	
Employees						
Notes Receivable	Php 68,915,688	Php 175,925,972	Php 139,197,892	Php 81,156,876	Php 24,486,892	Php 105,643,769
Accounts Receivable	161,223,500	523,790,444	358,741,287	289,363,738	36,908,920	326,272,657
	Php 230,139,188	**Php 699,716,417**	**Php 497,939,178**	**Php 370,520,614**	**Php 61,395,812**	**Php 431,916,426**

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
As of December 31, 2014

	Amount Owed by Ayala Land, Inc. (ALI) Subsidiaries to ALI Parent			
	Receivable Balance per ALI Parent	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiaries:				
Accendo Commercial Corp.	71,583,285	71,583,285	71,583,285	
Adauge Commercial Corp.	946,376	946,376	946,376	
Alabang Commercial Corp.	18,370,894	18,370,894	18,370,894	
ALI Property Partners Corp. (APPCo)	1,111,314,813	1,111,314,813	1,111,314,813	
ALI-CII Development Corp.	3,258,056	3,258,056	3,258,056	
Alveo Land Corporation	636,032,770	636,032,770	636,032,770	
Amaia Land Corporation	156,870,809	156,870,809	156,870,809	
Amorsedia Development Corp.	901,205,447	901,205,447	901,205,447	
Aprisa Business Process Solutions, Inc.	193,361	193,361	193,361	
Arvo Commercial Corporation	73,994,498	73,994,498	73,994,498	
Aurora Properties Incorporated	60,433,667	60,433,667	60,433,667	
Aviana Development Corporation	460,051	460,051	460,051	
Avida Land Corporation	1,679,714,885	1,679,714,885	1,679,714,885	
Ayala Hotels, Inc.	234,566	234,566	234,566	
Ayala Land Hotels and Resorts	38,280,396	38,280,396	38,280,396	
Ayala Land International	62,290,067	62,290,067	62,290,067	
Ayala Land Sales, Inc.	39,800,119	39,800,119	39,800,119	
Ayala Property Management Corporation	45,616,088	45,616,088	45,616,088	
Ayala Theatres Management, Inc.	14,578,485	14,578,485	14,578,485	
Ayalaland Club Management, Inc	39,721	39,721	39,721	
Ayalaland Metro North, Inc.	493,615	493,615	493,615	
Bellavita Land Corporation	8,392,010	8,392,010	8,392,010	
BG West Properties, Inc.	3,575,430,095	3,575,430,095	3,575,430,095	
Bundia Landholdings, Inc.	38,062	38,062	38,062	
Cagayan De Oro Gateway	8,084,726	8,084,726	8,084,726	
Cavite Commercial Towncenter	3,844,563	3,844,563	3,844,563	
Cebu Holdings, Inc.	256,679,170	256,679,170	256,679,170	
Ceci Realty Corporation	93,127,764	93,127,764	93,127,764	
CMPI Holdings, Inc.	344,364	344,364	344,364	
Crans Montana Property HO	3,460,755	3,460,755	3,460,755	
Crestview E-Office Corporation	6,306,752	6,306,752	6,306,752	
Crimson Field Enterprises	84,625,902	84,625,902	84,625,902	
Directpower Services, Inc.	8,777,172	8,777,172	8,777,172	
Ecoholdings Company, Inc.	441,710	441,710	441,710	
Fairview Prime Commercial	38,900,035	38,900,035	38,900,035	
Five Star Cinema, Inc.	9,300,000	9,300,000	9,300,000	
Hillsford Property Corp.	300,324,508	300,324,508	300,324,508	
Laguna Technopark, Inc.	3,014,388	3,014,388	3,014,388	
Leisue and Allied	214,278	214,278	214,278	
Makati Development Corp.	446,576,030	446,576,030	446,576,030	
North Beacon Commercial Corporation	8,536,433	8,536,433	8,536,433	
North Triangle Depot	90,066,222	90,066,222	90,066,222	
Nuevocentro, Inc.	1,301,195,031	1,301,195,031	1,301,195,031	
Philippine Integrated Energy Solutions, Inc.	9,442,377	9,442,377	9,442,377	
Primavera Towncentre, Inc.	20,749,936	20,749,936	20,749,936	
Red Creek Properties, Inc.	226,906,830	226,906,830	226,906,830	
Regent Time International	96,790,963	96,790,963	96,790,963	
Regent Wise Investments Limited	29,471,639	29,471,639	29,471,639	
Roxas Land Corporation	22,991,249	22,991,249	22,991,249	
Serendra, Inc.	141,864,794	141,864,794	141,864,794	
Solerte Corp.	295,534	295,534	295,534	
Soltea Commercial Corp.	339,125	339,125	339,125	
Southgateway Development Corp.	236,149,586	236,149,586	236,149,586	
Subic Bay Town Center, Inc.	175,299	175,299	175,299	
Ten Knots Development	553,047,370	553,047,370	553,047,370	
Ten Knots Philippines, Inc.	249,214	249,214	249,214	
Varejo Corporation	168,167	168,167	168,167	
Verde Golf Developments Corporation	11,366,637	11,366,637	11,366,637	
Vesta Property Holdings, Inc.	3,576,380	3,576,380	3,576,380	
WhiteKnight Holdings, Inc.	10,877,909	10,877,909	10,877,909	
Sub-Total	**12,527,854,950**	**12,527,854,950**	**12,527,854,950**	

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
As of December 31, 2014

	Amount Owed by ALI Parent to ALI Subsidiaries			
	Receivable Balance per ALI Subsidiaries	Payable Balance per ALI Parent	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Accendo Commercial Corp.	273,002	273,002	273,002	
Adauge Commercial Corporation	100,000,000	100,000,000	100,000,000	
Alabang Commercial Corp.	5,375,272	5,375,272	5,375,272	
ALI Property Partners Corp. (APPCo)	28,193,866	28,193,866	28,193,866	
Alveo Land Corporation	139,758,945	139,758,945	139,758,945	
Amaia Land Corporation	744,427	744,427	744,427	
Aprisa Business Process Solutions, Inc.	1,627,995	1,627,995	1,627,995	
Arvo Commercial Corporation	412,002,796	412,002,796	412,002,796	
Aurora Properties, Inc.	1,543,201,162	1,543,201,162	1,543,201,162	
Avida Land Corp.	387,732,331	387,732,331	387,732,331	
Amorsedia / HLC Development Corp.	163,633,094	163,633,094	163,633,094	
Ayala Land International Sales, Inc.	15,825,595	15,825,595	15,825,595	
Ayala Land Sales, Inc.	1,632,131	1,632,131	1,632,131	
Ayala Property Management Corporation	209,451,528	209,451,528	209,451,528	
AyalaLand Hotels and Resorts Corporation	243,541	243,541	243,541	
BellaVita Land Corp	789,811	789,811	789,811	
BG West Properties, Inc	1,400,050	1,400,050	1,400,050	
Cagayan De Oro Gateway	103,223,303	103,223,303	103,223,303	
Cebu Holdings, Inc.	7,491,953	7,491,953	7,491,953	
Ceci Realty Corporation	8,861,332	8,861,332	8,861,332	
CMPI Holdings, Inc.	5,922,761	5,922,761	5,922,761	
Crans Montana Property Holdings	174,991,300	174,991,300	174,991,300	
Directpower Services, Inc.	11,011,594	11,011,594	11,011,594	
Fairview Prime Commercial Corp.	315,714	315,714	315,714	
Five Star Cinema, Inc.	336,030	336,030	336,030	
Laguna Technopark, Inc.	703,150,984	703,150,984	703,150,984	
North Beacon Commercial Corporation	19,627,043	19,627,043	19,627,043	
North Triangle Depot Commercial Corp.	16,087,242	16,087,242	16,087,242	
Philippine Integrated Energy Solutions, Inc.	3,017,683	3,017,683	3,017,683	
Primavera Towncentre, Inc.	1,407,328	1,407,328	1,407,328	
Regent Time International	324,346,117	324,346,117	324,346,117	
Serendra, Inc.	693,618	693,618	693,618	
Soltea Commercial Corp.	50,001,400	50,001,400	50,001,400	
Station Square East Commercial Corp.	959,796	959,796	959,796	
Subic Bay Town Center, Inc.	332,059	332,059	332,059	
Summerhill Com. Ven. Corp	150,000,000	150,000,000	150,000,000	
Ten Knots Development Corp.	100,000,000	100,000,000	100,000,000	
Vesta Property Holdings, Inc.	2,699,795,618	2,699,795,618	2,699,795,618	
Sub-Total	**7,393,458,415**	**7,393,458,415**	**7,393,458,415**	**-**

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
As of December 31, 2014

	Amount Owed by Makati Development Corporation to ALI Subsidiaries			
	Receivable Balance per ALI Subsidiaries	Payable Balance per MDC	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Ayala Land Inc	5,341,388,299	5,341,388,299	5,341,388,299	
Accendo Commercial Corp.	77,420,851	77,420,851	77,420,851	
Alabang Commercial Corp.	112,510,045	112,510,045	112,510,045	
Alveo Land Corporation	1,893,246,125	1,893,246,125	1,893,246,125	
ALI Property Partners Corp. (APPCo)	73,135,649	73,135,649	73,135,649	
Amaia Land Corporation	810,559,238	810,559,238	810,559,238	
Arvo Commercial Corporation	548,469,823	548,469,823	548,469,823	
Aurora Properties, Inc.	138,454,702	138,454,702	138,454,702	
Avida Land Corp.	1,223,986,362	1,223,986,362	1,223,986,362	
Amorsedia	20,922,458	20,922,458	20,922,458	
Bellavita	27,850,432	27,850,432	27,850,432	
BG West	769,455,461	769,455,461	769,455,461	
Cagayan De Oro Gateway Corp.	216,955,223	216,955,223	216,955,223	
Cavite Commercial Towncenter, Inc.	1,430,213	1,430,213	1,430,213	
Cebu Holdings, Inc.	98,009,914	98,009,914	98,009,914	
CECI	41,882,933	41,882,933	41,882,933	
Gisborne/Fairview Prime	7,392,394	7,392,394	7,392,394	
Laguna Technopark, Inc.	3,106,114	3,106,114	3,106,114	
Philippine Integrated Energy Solutions, Inc.	37,711,661	37,711,661	37,711,661	
Summerhill Com. Ven. Corp	59,414,269	59,414,269	59,414,269	
Serendra, Inc.	324,751,098	324,751,098	324,751,098	
Adauge	47,872,052	47,872,052	47,872,052	
Roxas Land Corporation	6,364,750	6,364,750	6,364,750	
Sub-Total	**11,882,290,066**	**11,882,290,066**	**11,882,290,066**	**-**

	Amount Owed by ALI Subsidiaries to Alabang Commercial Corp. (ACC)			
	Receivable Balance per Alveo Land Corporation	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
FSCI - FIVE STAR Cinema Inc.	3,089,413	3,089,413	3,089,413	
AVIDA - Avida Land Corporation	(206,354)	(206,354)	(206,354)	
ALSI - Ayala Land Sales Inc.	571,187	571,187	571,187	
SERENDRA - Serendra Inc.	11,241	11,241	11,241	
NTDCC - North Triangle Depot Commercial Corp	211,898	211,898	211,898	
NCC - North Beacon Commercial Corporation	189,427	189,427	189,427	
Accendo Comm Corp	23,977	23,977	23,977	
CagayanDeOro Gateway Corp	600	600	600	
Cavite Commercial Towncenter Inc.	10,000	10,000	10,000	
Sub-Total	**3,901,389**	**3,901,389**	**3,901,389**	**-**

	Amount Owed by ALI Subsidiaries to Accendo			
	Receivable Balance per Ayalaland Hotels and Resorts Corporation	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Avencosouth Corp / Avida	487,999	487,999	487,999	
MDC - Makati Development Corporation	60,410	60,410	60,410	
NTDCC - North Triangle Depot Commercial Corp	2,290	2,290	2,290	
South Innovative Theatres Management Inc	6,145	6,145	6,145	
CagayanDeOro Gateway Corp	870	870	870	
Phil Integrated Energy Solutions Inc	14,503,984	14,503,984	14,503,984	
Aviana Development Corporation	201,105	201,105	201,105	
Sub-Total	**15,262,803**	**15,262,803**	**15,262,803**	**-**

	Amount Owed by ALI Subsidiaries to ACMI			
	Receivable Balance per Aurora Properties Incorporated	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Verde Golf Development Corporation	660,000	660,000	660,000	
Sub-Total	**660,000**	**660,000**	**660,000**	

	Amount Owed by ALI Subsidiaries to Adauge			
	Receivable Balance per Vesta Property Holdings, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Alveo Land Corporation	20,000,000	20,000,000	20,000,000	
Sub-Total	**20,000,000**	**20,000,000**	**20,000,000**	**-**

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
As of December 31, 2014

	Amount Owed by ALI Subsidiaries to AHI			
	Receivable Balance per CECI Realty, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
AHRC - Ayala Hotels and Resorts Corp.	50,733,730	50,733,730	50,733,730	
Sub-Total	**50,733,730**	**50,733,730**	**50,733,730**	**-**

	Amount Owed by ALI Subsidiaries to AHRC			
	Receivable Balance per Studio Ventures, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
APMC - Ayala Property Management Corporation	352,404	352,404	352,404	
TKD - Ten Knots Development	1,966,195	1,966,195	1,966,195	
Sub-Total	**2,318,599**	**2,318,599**	**2,318,599**	**-**

	Amount Owed by ALI Subsidiaries to Alveo			
	Receivable Balance per Avida Land Corp. & Subsidiaries	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
APMC - Ayala Property Management Corporation	321,751	321,751	321,751	
VPHI - Vesta Property Holdings, Inc.	153,134,872	153,134,872	153,134,872	
API - Aurora Properties, Inc.	11,419,925	11,419,925	11,419,925	
AVIDA - Avida Land Corporation	3,980,476	3,980,476	3,980,476	
MDC - Makati Development Corporation	2,378,850	2,378,850	2,378,850	
CHI - Cebu Holdings, Inc.	18,131,860	18,131,860	18,131,860	
SERENDRA - Serendra Inc.	122,114,672	122,114,672	122,114,672	
ALISI - Ayala Land Int'l Sales Inc.	1,407	1,407	1,407	
CM - Crans Montana	1,225,449	1,225,449	1,225,449	
Accendo Comm Corp	73,083,051	73,083,051	73,083,051	
Nuevo Centro, Inc	400	400	400	
Sub-Total	**385,792,713**	**385,792,713**	**385,792,713**	**-**

	Amount Owed by ALI Subsidiaries to ALCRI			
	Receivable Balance per Serendra, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Amaia - Amaia Land Corporation	300,000,000	300,000,000	300,000,000	
Sub-Total	**300,000,000**	**300,000,000**	**300,000,000**	**-**

	Amount Owed by ALI Subsidiaries to ALISI			
	Receivable Balance per Amaia Land Co.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
AVIDA - Avida Land Corporation	16,273,235	16,273,235	16,273,235	
Ayala Green Field Dev't Corp.	316,540	316,540	316,540	
SERENDRA - Serendra Inc.	2,731	2,731	2,731	
Amaia - Amaia Land Corporation	833,179	833,179	833,179	
AYALA LAND INTERNATIONAL MARKETING, INC.	-	-	-	
BellaVita Land Corp	10,647	10,647	10,647	
Alveo Land Corporation	8,835,676	8,835,676	8,835,676	
Sub-Total	**26,272,008**	**26,272,008**	**26,272,008**	**-**

	Amount Owed by ALI Subsidiaries to ALSI			
	Receivable Balance per Ten Knots Philippines, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
Ayala Green Field Dev't Corp.	4,047,804	4,047,804	4,047,804	
Sub-Total	**4,047,804**	**4,047,804**	**4,047,804**	**-**

	Amount Owed by ALI Subsidiaries to Amaia			
	Receivable Balance per Primavera Towncentre, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
API - Aurora Properties, Inc.	7,056,000	7,056,000	7,056,000	
AVIDA - Avida Land Corporation	6,807,126	6,807,126	6,807,126	
MDC - Makati Development Corporation	257,310	257,310	257,310	
ALISI - Ayala Land Int'l Sales Inc.	105,963	105,963	105,963	
BellaVita Land Corp	64,427	64,427	64,427	
Alveo Land Corporation	100,000	100,000	100,000	
Sub-Total	**14,390,826**	**14,390,826**	**14,390,826**	**-**
	-	-	-	

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
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	Amount Owed by ALI Subsidiaries to AMNI			
	Receivable Balance per Aprisa Business Process Solutions, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
AVIDA - Avida Land Corporation	120,000,000	120,000,000	120,000,000	
Amaia - Amaia Land Corporation	200,000,000	200,000,000	200,000,000	
Arvo Commercial Corporation	115,000,000	115,000,000	115,000,000	
Sub-Total	**435,000,000**	**435,000,000**	**435,000,000**	**-**

	Amount Owed by ALI Subsidiaries to API			
	Receivable Balance per Ecoholdings, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
VPHI - Vesta Property Holdings, Inc.	27,739	27,739	27,739	
AVIDA - Avida Land Corporation	6,850,194	6,850,194	6,850,194	
Amaia - Amaia Land Corporation	60,128,469	60,128,469	60,128,469	
Sub-Total	**67,006,402**	**67,006,402**	**67,006,402**	**-**
	-	-	-	

	Amount Owed by ALI Subsidiaries to APMC			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
VPHI - Vesta Property Holdings, Inc.	436,867	436,867	436,867	
AVIDA - Avida Land Corporation	305,808,700	305,808,700	305,808,700	
Ayala Green Field Dev't Corp. / Amorsedia	603,140	603,140	603,140	
SERENDRA - Serendra Inc.	2,391,707	2,391,707	2,391,707	
Amaia - Amaia Land Corporation	1,391,948	1,391,948	1,391,948	
GLENSWORTH DEVELOPMENT CORP / APPCO	22,858	22,858	22,858	
Hillsford Property Corporation	465,861	465,861	465,861	
Accendo Comm Corp	(0)	(0)	(0)	
Westview Commercial Ventures Corp	(273)	(273)	(273)	
Cavite Commercial Towncenter Inc.	121,218	121,218	121,218	
BellaVita Land Corp	1,019,480	1,019,480	1,019,480	
Nuevo Centro, Inc	1,068,282	1,068,282	1,068,282	
Adauge Commercial Corp	215,040	215,040	215,040	
Alveo Land Corporation	3,993,893	3,993,893	3,993,893	
Sub-Total	**317,538,721**	**317,538,721**	**317,538,721**	**-**

	Amount Owed by ALI Subsidiaries to APPCo			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
SSECC - Station Square East Commercial Corp	50,000,000	50,000,000	50,000,000	
SEOC - Sunnyfield E-Office Corp	25,000,000	25,000,000	25,000,000	
Alveo Land Corporation	6,132	6,132	6,132	
Sub-Total	**75,006,132**	**75,006,132**	**75,006,132**	**-**

	Amount Owed by ALI Subsidiaries to APRISA			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
AVIDA - Avida Land Corporation	1,814,986	1,814,986	1,814,986	
RLC - Roxas Land Corp.	242,000	242,000	242,000	
SERENDRA - Serendra Inc.	382,909	382,909	382,909	
Amaia - Amaia Land Corporation	154,350	154,350	154,350	
Accendo Comm Corp	5,896	5,896	5,896	
MDC Conqrete, Inc. (MCI) / MDC	358,400	358,400	358,400	
Sub-Total	**2,958,541**	**2,958,541**	**2,958,541**	**-**
	2,958,541	2,958,541	2,958,541	
	-	-	-	

	Amount Owed by ALI Subsidiaries to Arvo			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
PTI - Primavera Towncentre, Inc.	308,275	308,275	308,275	
Sub-Total	**308,275**	**308,275**	**308,275**	**-**

	Amount Owed by ALI Subsidiaries to ATMI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
South Innovative Theatres Management Inc	18,144	18,144	18,144	
Sub-Total	**18,144**	**18,144**	**18,144**	**-**

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
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	Amount Owed by ALI Subsidiaries to AVIDA			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
APMC - Ayala Property Management Corporation	1,049,097	1,049,097	1,049,097	
ATMI - Ayala Theaters Management, Inc.	69,503	69,503	69,503	
API - Aurora Properties, Inc.	18,989,763	18,989,763	18,989,763	
MDC - Makati Development Corporation	89,499	89,499	89,499	
Ayala Green Field Dev't Corp. / ADC	167,204	167,204	167,204	
ALISI - Ayala Land Int'l Sales Inc.	624,693	624,693	624,693	
Amaia - Amaia Land Corporation	16,416,185	16,416,185	16,416,185	
CagayanDeOro Gateway Corp	44,435,616	44,435,616	44,435,616	
BellaVita Land Corp	70,904,053	70,904,053	70,904,053	
Nuevo Centro, Inc	6,024	6,024	6,024	
Alveo Land Corporation	14,270,462	14,270,462	14,270,462	
Sub-Total	**167,022,098**	**167,022,098**	**167,022,098**	**-**

	Amount Owed by ALI Subsidiaries to Bellavita			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
AVIDA - Avida Land Corporation	590,000,000.00	590,000,000.00	590,000,000.00	
PTI - Primavera Towncentre, Inc.	388,305.00	388,305.00	388,305.00	
Sub-Total	**590,388,305**	**590,388,305**	**590,388,305**	**-**

	Amount Owed by ALI Subsidiaries to BG West			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
BGNorth Properties Inc	300,645,833	300,645,833	300,645,833	
Sub-Total	**300,645,833**	**300,645,833**	**300,645,833**	**-**

	Amount Owed by ALI Subsidiaries to CCTCI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
MDC - Makati Development Corporation	39,280	39,280	39,280	
Sub-Total	**39,280**	**39,280**	**39,280**	**-**

	Amount Owed by ALI Subsidiaries to CDOGC			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
AVIDA - Avida Land Corporation	1,040	1,040	1,040	
NTDCC - North Triangle Depot Commercial Corp	680	680	680	
Accendo Comm Corp	100,012,203	100,012,203	100,012,203	
Phil Integrated Energy Solutions Inc	3,769,476	3,769,476	3,769,476	
Sub-Total	**103,783,399**	**103,783,399**	**103,783,399**	**-**
	-	-	-	

	Amount Owed by ALI Subsidiaries to CECI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
VPHI - Vesta Property Holdings, Inc.	17,128,261	17,128,261	17,128,261	
API - Aurora Properties, Inc.	14,885,739	14,885,739	14,885,739	
AVIDA - Avida Land Corporation	3,411,918	3,411,918	3,411,918	
Sub-Total	**35,425,917**	**35,425,917**	**35,425,917**	**-**

	Amount Owed by ALI Subsidiaries to CHI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
AVIDA - Avida Land Corporation	2,338,081	2,338,081	2,338,081	
Cebu Insular Hotel Co. Inc.	31,143,558	31,143,558	31,143,558	
Amaia - Amaia Land Corporation	137,315	137,315	137,315	
Accendo Comm Corp	5,620	5,620	5,620	
Adauge Commercial Corp	11,458	11,458	11,458	
Alveo Land Corporation	77,529,134	77,529,134	77,529,134	
Sub-Total	**111,165,166**	**111,165,166**	**111,165,166**	**-**

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
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	Amount Owed by ALI Subsidiaries to DPSI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
CPVDC - Cebu Property Ventures & Dev't Corp.	150,000,000	150,000,000	150,000,000	
Phil Integrated Energy Solutions Inc	11,194,507	11,194,507	11,194,507	
Avida Land Corporation	85,000,000	85,000,000	85,000,000	
Alveo Land Corporation	200,000,000	200,000,000	200,000,000	
Sub-Total	**446,194,507**	**446,194,507**	**446,194,507**	**-**

	Amount Owed by ALI Subsidiaries to ECI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
TKP - Ten Knots Philippines, Inc.	94,668,752	94,668,752	94,668,752	
Sub-Total	**94,668,752**	**94,668,752**	**94,668,752**	**-**

	Amount Owed by ALI Subsidiaries to Fairview Prime			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
APMC - Ayala Property Management Corporation	99,952	99,952	99,952	
AVIDA - Avida Land Corporation	783,540	783,540	783,540	
MDC - Makati Development Corporation	2,320,417	2,320,417	2,320,417	
ACC - Alabang Comercial Corporation	3,620	3,620	3,620	
NTDCC - North Triangle Depot Commercial Corp	25,855	25,855	25,855	
Sub-Total	**3,233,384**	**3,233,384**	**3,233,384**	**-**

	Amount Owed by ALI Subsidiaries to FSCI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
South Innovative Theatres Management Inc	125,893	125,893	125,893	
Sub-Total	**125,893**	**125,893**	**125,893**	**-**

	Amount Owed by ALI Subsidiaries to LTI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
APMC - Ayala Property Management Corporation	616	616	616	
Sub-Total	**616**	**616**	**616**	**-**

	Amount Owed by ALI Subsidiaries to MDC			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
LTI - Laguna Technopark Inc.	70,179,134	70,179,134	70,179,134	
AVIDA - Avida Land Corporation	1,268,000,000	1,268,000,000	1,268,000,000	
CHI - Cebu Holdings, Inc.	150,000,000	150,000,000	150,000,000	
AHRC - Ayala Hotels and Resorts Corp.	1,307,574,893	1,307,574,893	1,307,574,893	
SSECC - Station Square East Commercial Corp	300,000,000	300,000,000	300,000,000	
Amaia - Amaia Land Corporation	1,575,000,000	1,575,000,000	1,575,000,000	
Phil Integrated Energy Solutions Inc	297,959	297,959	297,959	
Alveo Land Corporation	3,180,000,000	3,180,000,000	3,180,000,000	
ALI Property Partners Corporation	200,000,000	200,000,000	200,000,000	
Sub-Total	**8,051,051,986**	**8,051,051,986**	**8,051,051,986**	**-**

	Amount Owed by ALI Subsidiaries to NBCC			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
AVIDA - Avida Land Corporation	94,156	94,156	94,156	
NTDCC - North Triangle Depot Commercial Corp	11,279	11,279	11,279	
South Innovative Theatres Management Inc	540	540	540	
Amaia - Amaia Land Corporation	593	593	593	
SBTCI - Subic Bay Town Center Inc.	974	974	974	
APRISA - APRISA Business Process Solutions, Inc	1,200	1,200	1,200	
Nuevo Centro, Inc	113,965	113,965	113,965	
Ayalaland Metro North Inc	3,674	3,674	3,674	
SOLERTE - Solerte Corp.	17,919	17,919	17,919	
Sub-Total	**244,299**	**244,299**	**244,299**	**-**

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
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	Amount Owed by ALI Subsidiaries to NTDCC			
	Receivable Balance per NTDCC	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
ACC - Alabang Comercial Corporation	118,450	118,450	118,450	
NCC - North Beacon Commercial Corporation	85,323	85,323	85,323	
Amaia - Amaia Land Corporation	50,000,000	50,000,000	50,000,000	
CagayanDeOro Gateway Corp	4,536	4,536	4,536	
Ayalaland Metro North Inc	3,392	3,392	3,392	
Sub-Total	**50,211,702**	**50,211,702**	**50,211,702**	**-**

	Amount Owed by ALI Subsidiaries to Phil. Energy			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
CHI - Cebu Holdings, Inc.	55,002,506	55,002,506	55,002,506	
ACC - Alabang Comercial Corporation	5,664	5,664	5,664	
NTDCC - North Triangle Depot Commercial Corp	4,318,382	4,318,382	4,318,382	
Accendo Comm Corp	2,613,238	2,613,238	2,613,238	
CagayanDeOro Gateway Corp	8,971,044	8,971,044	8,971,044	
Direct Power Services Inc.	178,182	178,182	178,182	
Sub-Total	**71,089,017**	**71,089,017**	**71,089,017**	**-**

	Amount Owed by ALI Subsidiaries to Primavera			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
First Gateway Real Estate Corp	837,584	837,584	837,584	
Arvo Commercial Corporation	401,906	401,906	401,906	
SOLERTE - Solerte Corp.	634	634	634	
Sub-Total	**1,240,123**	**1,240,123**	**1,240,123**	**-**

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	Amount Owed by ALI Subsidiaries to Red Creek			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
BellaVita Land Corp	18,441,495	18,441,495	18,441,495	
Sub-Total	**18,441,495**	**18,441,495**	**18,441,495**	**-**

	Amount Owed by ALI Subsidiaries to SBTCI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
MDC - Makati Development Corporation	18,090,090	18,090,090	18,090,090	
NCC - North Beacon Commercial Corporation	4,270	4,270	4,270	
Hillsford Property Corporation	15,000	15,000	15,000	
Ayalaland Metro North Inc	7,666	7,666	7,666	
Sub-Total	**18,117,026**	**18,117,026**	**18,117,026**	**-**

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	Amount Owed by ALI Subsidiaries to Soltea			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
AVIDA - Avida Land Corporation	280,000,000	280,000,000	280,000,000	
Sub-Total	**280,000,000**	**280,000,000**	**280,000,000**	**-**

	Amount Owed by ALI Subsidiaries to Serendra			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiries:				
APMC - Ayala Property Management Corporation	333,119	333,119	333,119	
AVIDA - Avida Land Corporation	999,500,000	999,500,000	999,500,000	
CPVDC - Cebu Property Ventures & Dev't Corp.	100,000,000	100,000,000	100,000,000	
ALISI - Ayala Land Int'l Sales Inc.	15,500,000	15,500,000	15,500,000	
Amaia - Amaia Land Corporation	1,025,000,000	1,025,000,000	1,025,000,000	
BG West Properties, Inc.	15,291,060	15,291,060	15,291,060	
Alveo Land Corporation	351,500,000	351,500,000	351,500,000	
Sub-Total	**2,507,124,179**	**2,507,124,179**	**2,507,124,179**	**-**

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AYALA LAND INC. AND SUBSIDIARIES
Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period
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	Amount Owed by ALI Subsidiaries to SSECC			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
ACC - Alabang Comercial Corporation	7,240	7,240	7,240	
SERENDRA - Serendra Inc.	19,804	19,804	19,804	
NTDCC - North Triangle Depot Commercial Corp	46,797	46,797	46,797	
NCC - North Beacon Commercial Corporation	620	620	620	
BellaVita Land Corp	12,972	12,972	12,972	
Sub-Total	**87,434**	**87,434**	**87,434**	**-**

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	Amount Owed by ALI Subsidiaries to Solerte			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
NCC - North Beacon Commercial Corporation	1,955,491	1,955,491	1,955,491	
Westview Commercial Ventures Corp	300,411	300,411	300,411	
Sub-Total	**2,255,902**	**2,255,902**	**2,255,902**	**-**

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	Amount Owed by ALI Subsidiaries to Summerhill			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Amaia - Amaia Land Corporation	200,000,000	200,000,000	200,000,000	
Sub-Total	**200,000,000**	**200,000,000**	**200,000,000**	**-**

	Amount Owed by ALI Subsidiaries to TKD			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
TKP - Ten Knots Philippines, Inc.	79,334,730	79,334,730	79,334,730	
Sub-Total	**79,334,730**	**79,334,730**	**79,334,730**	**-**

	Amount Owed by ALI Subsidiaries to TKPI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
ECI - Ecoholdings Company, Inc.	165,081	165,081	165,081	
Sub-Total	**165,081**	**165,081**	**165,081**	**-**

	Amount Owed by ALI Subsidiaries to VPHI			
	Receivable Balance per ALI	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
AVIDA - Avida Land Corporation	2,216,297,532	2,216,297,532	2,216,297,532	
Alveo Land Corporation	2,115,965,670	2,115,965,670	2,115,965,670	
Sub-Total	**4,332,263,202**	**4,332,263,202**	**4,332,263,202**	**-**

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	Amount Owed by ALI, ALI-Subsidiaries to Westview			
	Receivable Balance per MDC	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Amaia - Amaia Land Corporation	348,768	348,768	348,768	
Sub-Total	**348,768**	**348,768**	**348,768**	**-**

AYALA LAND INC. AND SUBSIDIARIES
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	Amount Owed by ALI Subsidiaries to MDC			
	Receivable Balance per MDC	**Payable Balance per ALI Subsidiaries**	**Current**	**Non-Current**
Ayala Land, Inc. (ALI) Subsidiries:				
ALI - Ayala Land, Inc.	3,434,377,118	3,434,377,118	3,434,377,118	
Accendo Commercial Corp.	200,485,896	200,485,896	200,485,896	
Adauge Commercial Corp.	314,597,346	314,597,346	314,597,346	
Alabang Commercial Corp.	100,400,566	100,400,566	100,400,566	
ALI Property Partner Corp	19,976,441	19,976,441	19,976,441	
Alveo Land Corporation	2,072,742,019	2,072,742,019	2,072,742,019	
Amaia Land Corpo	2,954,746,434	2,954,746,434	2,954,746,434	
Arvo Commercial Corporation	135,070,290	135,070,290	135,070,290	
Aurora Properties Incorporated	239,480,694	239,480,694	239,480,694	
Avida Land Corporation	1,971,977,691	1,971,977,691	1,971,977,691	
AyalaLand Hotels and Resorts Corp.	225,831,972	225,831,972	225,831,972	
Bellavita Land Corp	137,362,028	137,362,028	137,362,028	
BG West Properties, Inc.	364,748,868	364,748,868	364,748,868	
Cagayan De Oro Gateway Corp.	154,109,016	154,109,016	154,109,016	
Cavite Commercial Towncenter, Inc.	61,454,403	61,454,403	61,454,403	
Cebu Holdings, Inc.	637,291,144	637,291,144	637,291,144	
CECI Realty Corp.	39,207,896	39,207,896	39,207,896	
Fairview Prime Commercial Corp.	259,187,743	259,187,743	259,187,743	
Laguna Technopark Inc.	27,601,242	27,601,242	27,601,242	
Nuevocentro, Inc.	123,055,488	123,055,488	123,055,488	
Philippine Integrated Energy Solutions, Inc.	221,865,060	221,865,060	221,865,060	
Primavera Towncentre Inc.	1,494,295	1,494,295	1,494,295	
Roxas Land Corp.	17,745,873	17,745,873	17,745,873	
Serendra, Inc.	782,300,397	782,300,397	782,300,397	
Soltea Commercial Corp.	891,000	891,000	891,000	
Southgateway Development Corp.	655,202	655,202	655,202	
Subic Bay Town Center Inc.	54,712,708	54,712,708	54,712,708	
Summerhill Com. Ven. Corp	80,563,465	80,563,465	80,563,465	
Ten Knots Development	10,582,816	10,582,816	10,582,816	
Verde Golf Development Corporation	1,813,167	1,813,167	1,813,167	
Vesta Property Holdings, Inc.	85,147,452	85,147,452	85,147,452	
Sub-Total	**14,731,475,730**	**14,731,475,730**	**14,731,475,730**	

Total Eliminated Receivables	**65,720,963,343**	**65,720,963,343**	**65,720,963,343**	**-**

AYALA LAND, INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
As of December 31, 2014

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Lease Right 1/	Php 106,819,496	Php -	Php (6,676,219)	Php -	Php -	Php 100,143,277
	Php 106,819,496	**Php -**	**Php (6,676,219)**	**Php -**	**Php -**	**Php 100,143,277**

1/ Leaseright pertains to the right to use an island property expiring on December 31, 2029.
These intangible assets were included under non-current assets.

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
As of December 31, 2014
(Amounts in thousands)

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE/ FACILITY AGREEMENT	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT (NET OF CURRENT PORTION)	Interest Rate	No. of Periodic Installment	Maturity Date
Ayala Land, Inc.:						
Bonds						
Philippine Peso	1,000,000	986,710		5.000%	N/A, Bullet	October 31, 2015
Philippine Peso	2,000,000	-	1,982,700	4.000%	N/A, Bullet	May 31, 2016
Philippine Peso	9,350,000	-	9,350,000	5.625%	N/A, Bullet	April 27, 2019
Philippine Peso	4,000,000	-	4,000,000	4.625%	N/A, Bullet	October 10, 2020
Philippine Peso	5,650,000	-	5,650,000	6.000%	N/A, Bullet	April 27, 2022
Philippine Peso	15,000,000	-	15,000,000	5.000%	N/A, Bullet	January 30, 2024
Philippine Peso	8,000,000		8,000,000	5.625%	N/A, Bullet	April 25, 2025
Philippine Peso	2,000,000	-	2,000,000	6.000%	N/A, Bullet	October 10, 2033
Floating rate corporate notes (FRCNs)	1,000,000	-	1,000,000	Variable	N/A, Bullet	October 12, 2016
Fixed rate corporate notes (FXCNs)						
Philippine Peso	920,000		100,000	7.750%	N/A, Bullet	September 22, 2016
Philippine Peso	5,700,000	37,500	3,675,000	5.625%	3	January 20, 2016
Philippine Peso	1,330,000	13,300	1,303,400	8.900%	6	January 28, 2019
Philippine Peso	3,300,000	-	3,300,000	6.875%	6	January 19, 2021
Philippine Peso	5,000,000	50,000	4,950,000	4.500%	33	March 10, 2023
Philippine Peso	1,000,000	-	1,000,000	7.500%	11	January 19, 2026
Bank loan -US Dollar	2,360,545	-	2,360,545	Variable	6	January 10, 2023
Sub-Total	**67,610,545**	**Php 1,087,510**	**Php 63,671,645**			
Subsidiaries:						
Bonds	5,000,000		Php 5,000,000	5.320%	N/A, Bullet	June 06, 2021
Bank Loan *(BPI)*	Various	1,688,443	12,811,111	Various fixed and floating rates	Various	Various from 2015 to 2023
Bank Loan *(LandBank of the Phil)*	Various	60,938	8,375,000	Various fixed and floating rates	Various	Various from 2016 to 2021
Bank Loan *(ChinaBank)*	Various	1,437,500	905,839	Various fixed and floating rates	Various	Various 2015 to 2018
Bank Loan *(DBP)*	Various	250,000	6,252,000	Various fixed and floating rates	Various	Various 2017 to 2021
Bank Loan *(PNB)*	Various	50,000	3,937,500	Various fixed rates	Various	Various, 2020
Bank Loan *(RCBC)*	Various	30,000	1,890,000	Various fixed rates	Various	Various, 2024
Bank Loan *(Security Bank)*	Various	63,246	881,018	Various fixed rates	Various	Various from 2014 to 2017
Bank Loan *(MetroBank)*	Various	405,875		Various fixed rates	Various	2015
Sub-Total		**Php 3,986,001**	**Php 40,052,468**			
		Php 5,073,511	**Php 103,724,113**			

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE F - Indebtedness to Related Parties
(Long Term Loans from Related Companies)
As of December 31, 2014

NAME OF RELATED PARTY	BALANCE AT BEGINNING OF PERIOD		BALANCE AT END OF PERIOD	
Bank of the Philippine Islands	Php	16,869,061,003	Php	22,086,338,011

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2014

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR W/C THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED & OUTSTANDING	AMOUNT OWNED BY PERSON FOR W/C STATEMENT IS FILED	NATURE OFGUARANTEE
	NOT APPLICABLE			

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE H- CAPITAL STOCK
As of December 31, 2014

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING AT SHOWN UNDER RELATED BALANCE SHEET CAPTION				NUMBER OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION AND OTHER RIGHTS	NUMBER OF SHARES HELD BY RELATED PARTIES	DIRECTORS, OFFICERS AND EMPLOYEES	OTHERS
		ISSUED	SUBSCRIBED	TREASURY SHARES	TOTAL				
Common Stock	20,000,000,000	14,187,052,436	3,436,202		14,190,488,638	15,137,640	6,934,509,515	126,392,718	
Preferred Stock	15,000,000,000	13,066,494,759			13,066,494,759		12,163,180,640		

AYALA LAND, INC.
SCHEDULE I - RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2014

Items	Amount (In Thousands)	
Unappropriated Retained Earnings, beginning	**Php**	**25,905,288**
Less adjustments:		
Treasury shares		
Deferred tax assets		(1,757,065)
Fair Value adjustment		(593,853)
Unappropriated Retained Earnings, as adjusted, beginning		**23,554,371**
Net Income based on the face of AFS	Php	9,653,910
Less: Non-actual/unrealized income net of tax		
Amount of provision for deferred tax during the year		160,524
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)		
Unrealized actuarial gain		
Fair value adjustment (M2M gains)		
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain		
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		
Adjustment due to deviation from PFRS/GAAP – loss		
Loss on fair value adjustment of investment property (after tax)		
Net Income Actual/Realized	**Php**	**9,814,435**
Less: Other adjustments		
Dividend declarations during the period		(5,933,092)
Effects of prior period adjustments		
Reversal of Treasury shares		
		3,881,343
Unappropriated Retained Earnings, as adjusted, ending		**27,435,714**

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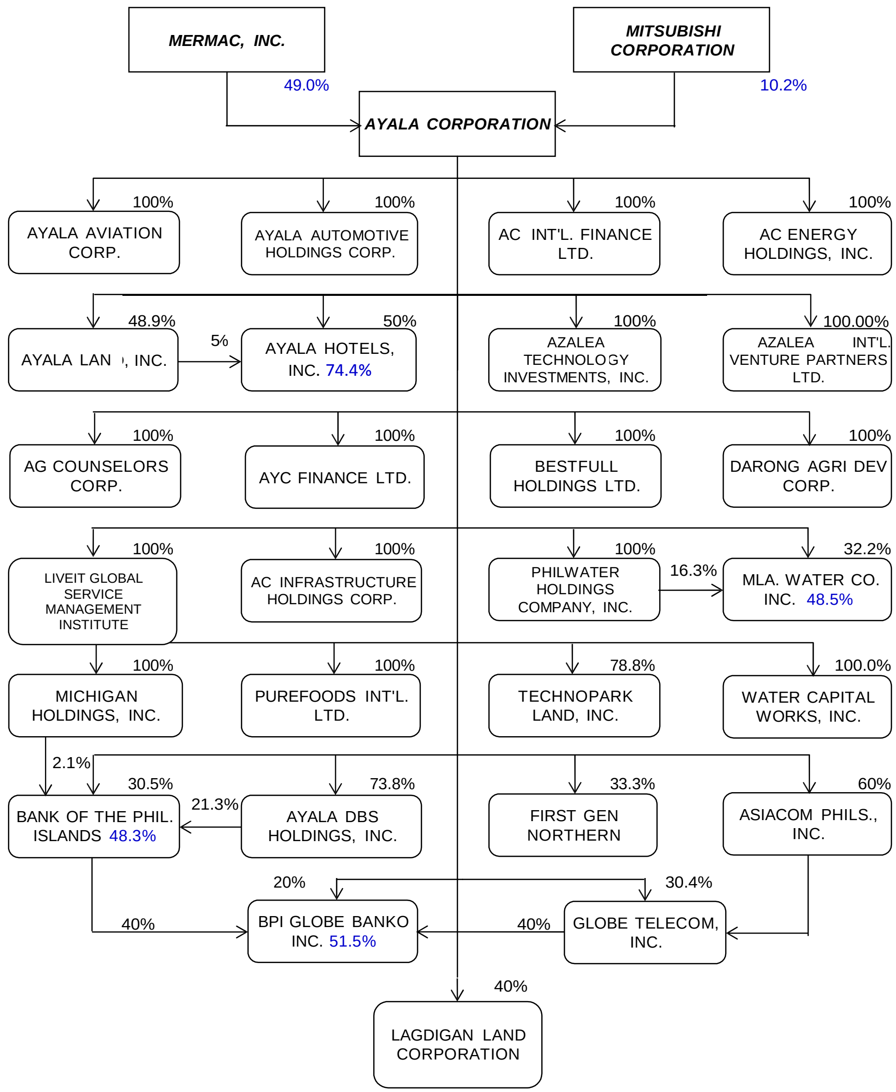
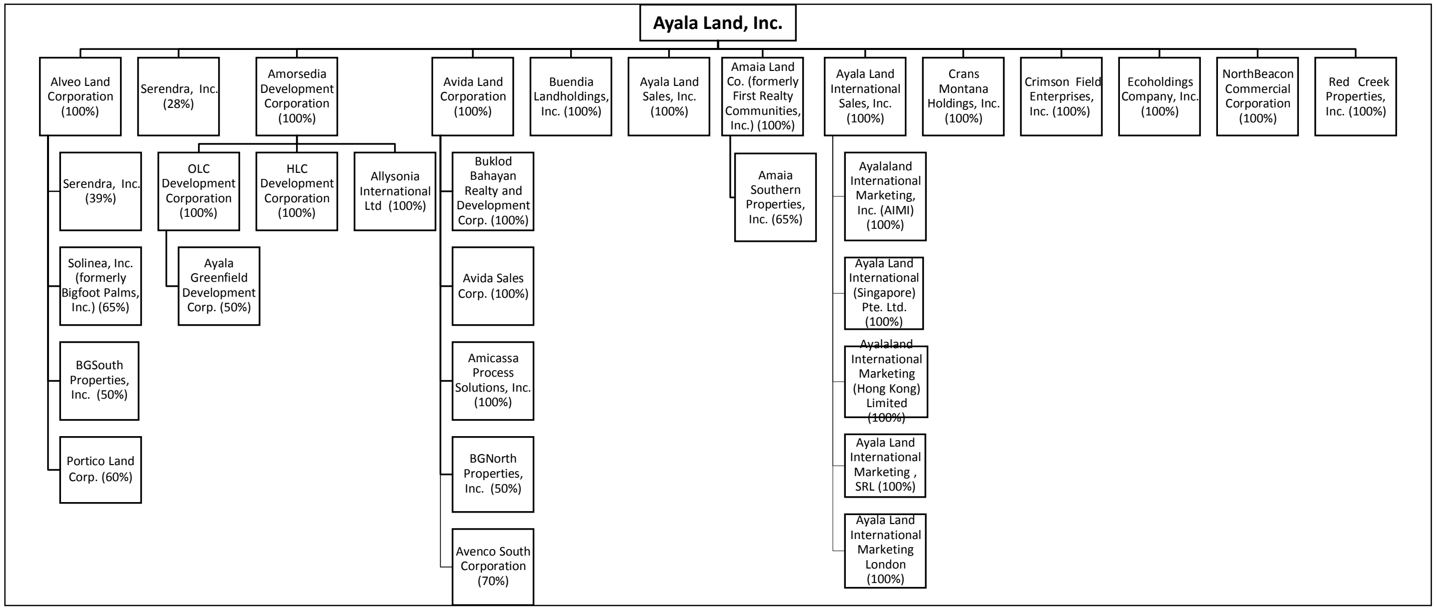
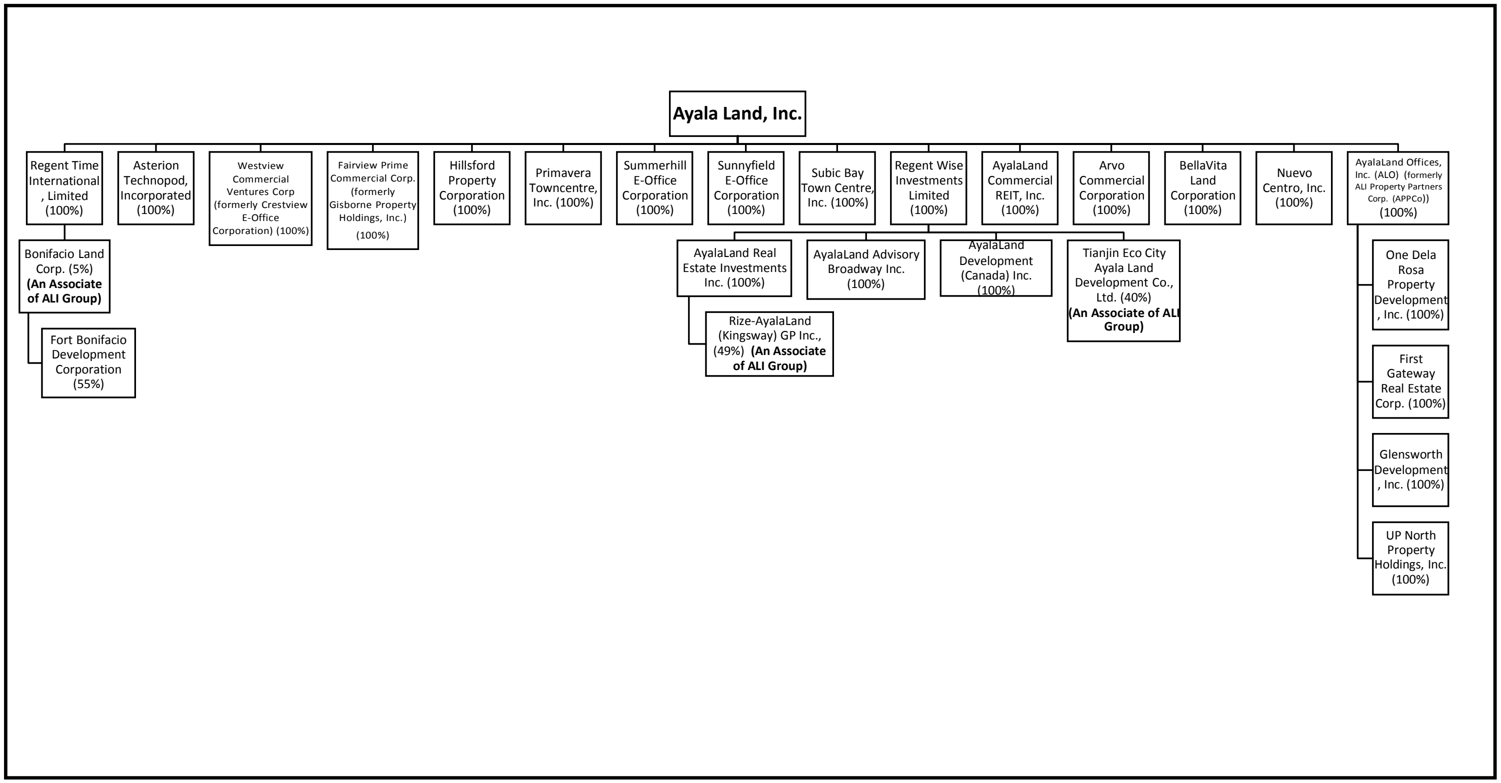
AYALA CORPORATION AND SUBSIDIARIES
SCHEDULE J - CORPORATE ORGANIZATIONAL CHART
As of December 31, 2014

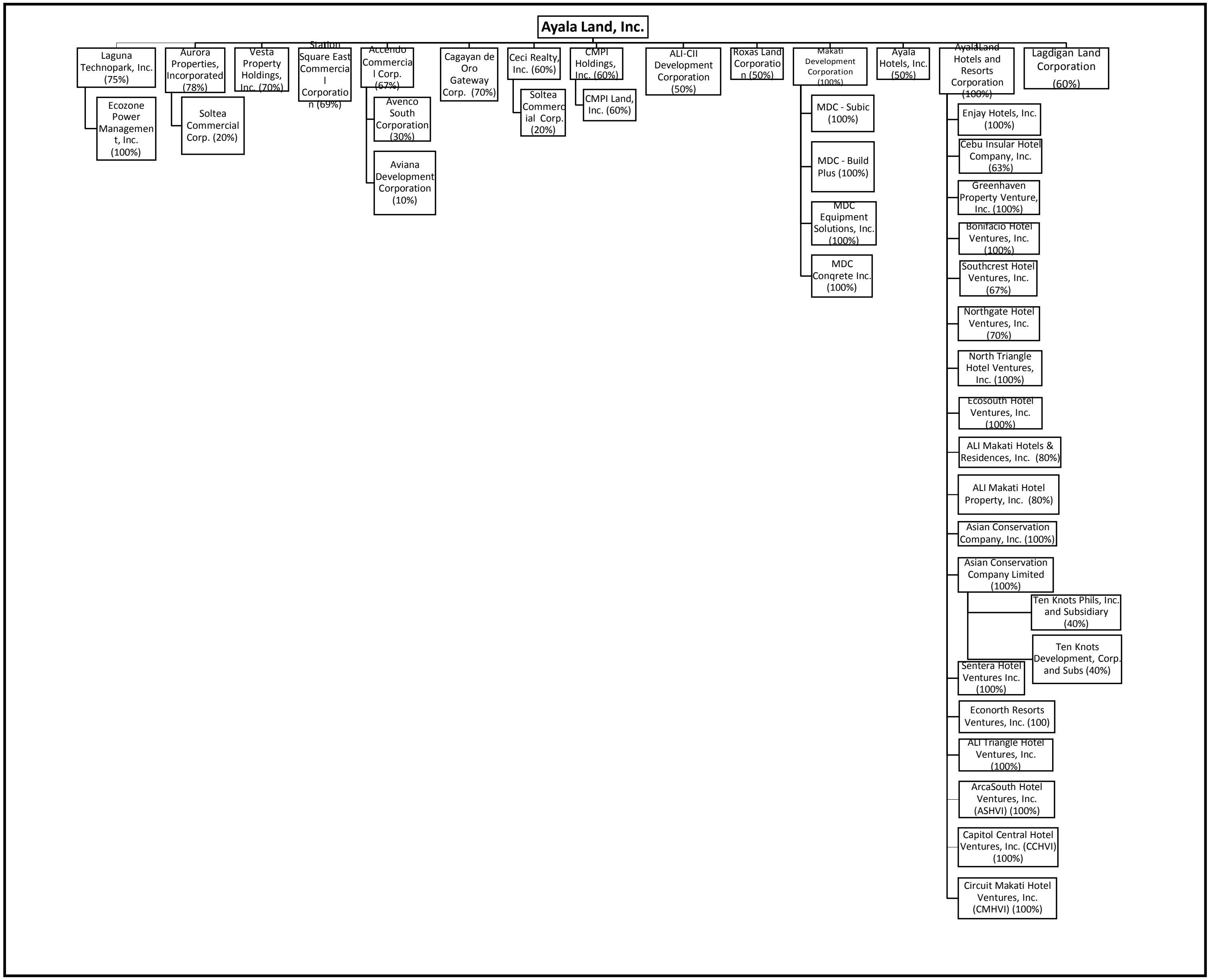


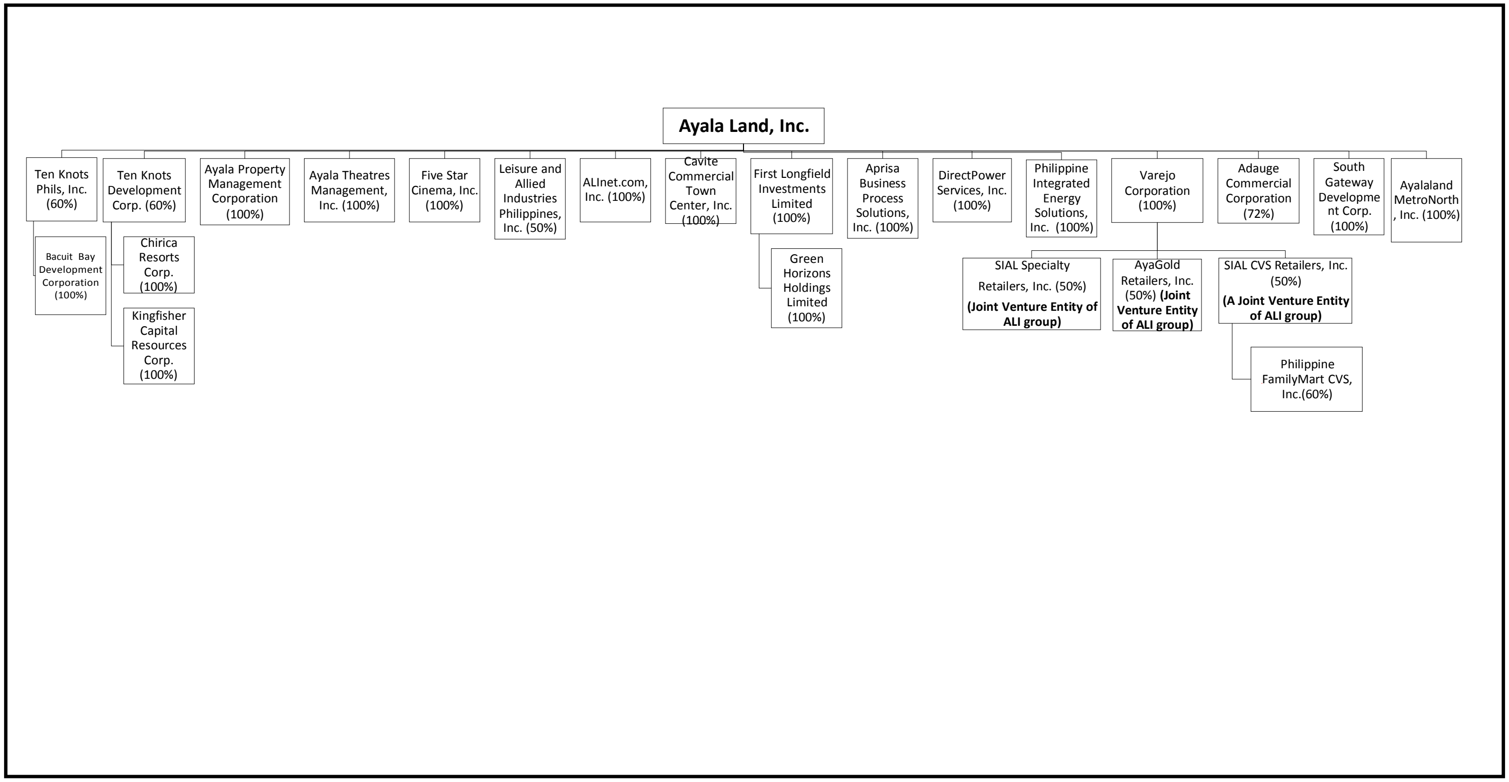
Legend:
% of ownership appearing on top of the box - direct % of ownership
% of ownership appearing inside the box - effective % of ownership

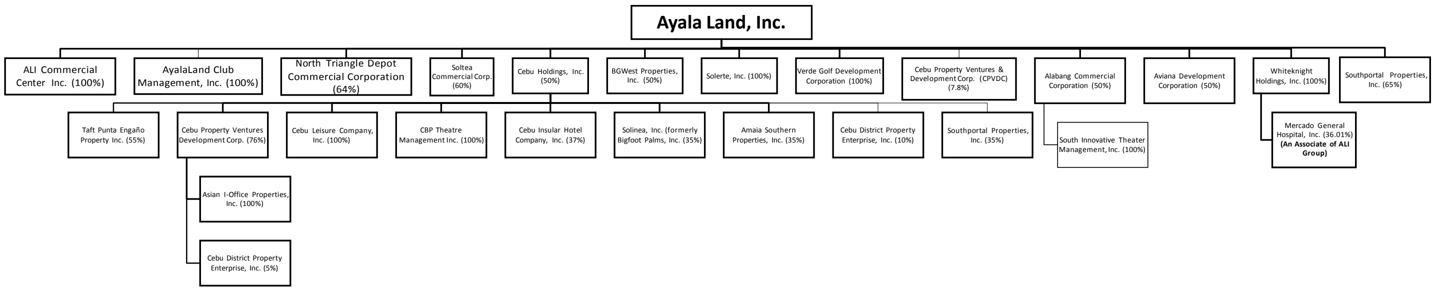
Subsidiaries



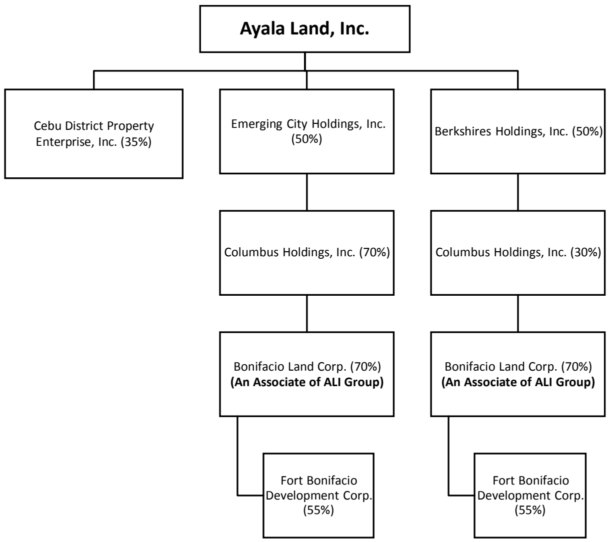

Ayala Land, Inc.
Regent Time International, Limited (100%)
Asterion Technopod, Incorporated (100%)
Westview Commercial Ventures Corp (formerly Crestview E-Office Corporation) (100%)
Fairview Prime Commercial Corp. (formerly Gisborne Property Holdings, Inc.) (100%)
Hillsford Property Corporation (100%)
Primavera Towncentre, Inc. (100%)
Summerhill E-Office Corporation (100%)
Sunnyfield E-Office Corporation (100%)
Subic Bay Town Centre, Inc. (100%)
Regent Wise Investments Limited (100%)
AyalaLand Commercial REIT, Inc. (100%)
Arvo Commercial Corporation (100%)
BellaVita Land Corporation (100%)
Nuevo Centro, Inc. (100%)
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo)) (100%)
Bonifacio Land Corp. (5%) (An Associate of ALI Group)
Fort Bonifacio Development Corporation (55%)
AyalaLand Real Estate Investments Inc. (100%)
Rize-AyalaLand (Kingsway) GP Inc., (49%) (An Associate of ALI Group)
AyalaLand Advisory Broadway Inc. (100%)
AyalaLand Development (Canada) Inc. (100%)
Tianjin Eco City Ayala Land Development Co., Ltd. (40%) (An Associate of ALI Group)
One Dela Rosa Property Development, Inc. (100%)
First Gateway Real Estate Corp. (100%)
Glensworth Development, Inc. (100%)
UP North Property Holdings, Inc. (100%)


Ayala Land, Inc.
Laguna Technopark, Inc. (75%)
Ecozone Power Management, Inc. (100%)
Aurora Properties, Incorporated (78%)
Soltea Commercial Corp. (20%)
Vesta Property Holdings, Inc. (70%)
Station Square East Commercial Corporation (69%)
Accendo Commercial Corp. (67%)
Avenco South Corporation (30%)
Aviana Development Corporation (10%)
Cagayan de Oro Gateway Corp. (70%)
Ceci Realty, Inc. (60%)
Soltea Commercial Corp. (20%)
CMPI Holdings, Inc. (60%)
CMPI Land, Inc. (60%)
ALI-CII Development Corporation (50%)
Roxas Land Corporation (50%)
Makati Development Corporation (100%)
MDC - Subic (100%)
MDC - Build Plus (100%)
MDC Equipment Solutions, Inc. (100%)
MDC Conqrete Inc. (100%)
Ayala Hotels, Inc. (50%)
AyalaLand Hotels and Resorts Corporation (100%)
Enjay Hotels, Inc. (100%)
Cebu Insular Hotel Company, Inc. (63%)
Greenhaven Property Venture, Inc. (100%)
Bonifacio Hotel Ventures, Inc. (100%)
Southcrest Hotel Ventures, Inc. (67%)
Northgate Hotel Ventures, Inc. (70%)
North Triangle Hotel Ventures, Inc. (100%)
Ecosouth Hotel Ventures, Inc. (100%)
ALI Makati Hotels & Residences, Inc. (80%)
ALI Makati Hotel Property, Inc. (80%)
Asian Conservation Company, Inc. (100%)
Asian Conservation Company Limited (100%)
Ten Knots Phils, Inc. and Subsidiary (40%)
Ten Knots Development, Corp. and Subs (40%)
Sentera Hotel Ventures Inc. (100%)
Econorth Resorts Ventures, Inc. (100)
ALI Triangle Hotel Ventures, Inc. (100%)
ArcaSouth Hotel Ventures, Inc. (ASHVI) (100%)
Capitol Central Hotel Ventures, Inc. (CCHVI) (100%)
Circuit Makati Hotel Ventures, Inc. (CMHVI) (100%)
Lagdigan Land Corporation (60%)

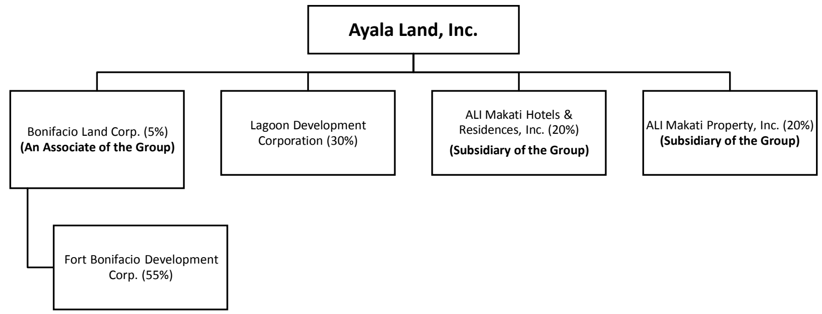

Ayala Land, Inc.
Ten Knots Phils, Inc. (60%)
Bacuit Bay Development Corporation (100%)
Ten Knots Development Corp. (60%)
Chirica Resorts Corp. (100%)
Kingfisher Capital Resources Corp. (100%)
Ayala Property Management Corporation (100%)
Ayala Theatres Management, Inc. (100%)
Five Star Cinema, Inc. (100%)
Leisure and Allied Industries Philippines, Inc. (50%)
ALInet.com, Inc. (100%)
Cavite Commercial Town Center, Inc. (100%)
First Longfield Investments Limited (100%)
Green Horizons Holdings Limited (100%)
Aprisa Business Process Solutions, Inc. (100%)
DirectPower Services, Inc. (100%)
Philippine Integrated Energy Solutions, Inc. (100%)
Varejo Corporation (100%)
SIAL Specialty Retailers, Inc. (50%) (Joint Venture Entity of ALI group)
AyaGold Retailers, Inc. (50%) (Joint Venture Entity of ALI group)
SIAL CVS Retailers, Inc. (50%) (A Joint Venture Entity of ALI group)
Philippine FamilyMart CVS, Inc.(60%)
Adauge Commercial Corporation (72%)
South Gateway Development Corp. (100%)
Ayalaland MetroNorth, Inc. (100%)


Ayala Land, Inc.
ALI Commercial Center Inc. (100%)
AyalaLand Club Management, Inc. (100%)
North Triangle Depot Commercial Corporation (64%)
Soltea Commercial Corp. (60%)
Cebu Holdings, Inc. (50%)
BGWest Properties, Inc. (50%)
Solerte, Inc. (100%)
Verde Golf Development Corporation (100%)
Cebu Property Ventures & Development Corp. (CPVDC) (7.8%)
Alabang Commercial Corporation (50%)
Aviana Development Corporation (50%)
Whiteknight Holdings, Inc. (100%)
Southportal Properties, Inc. (65%)
Taft Punta Engaño Property Inc. (55%)
Cebu Property Ventures Development Corp. (76%)
Cebu Leisure Company, Inc. (100%)
CBP Theatre Management Inc. (100%)
Cebu Insular Hotel Company, Inc. (37%)
Solinea, Inc. (formerly Bigfoot Palms, Inc. (35%)
Amaia Southern Properties, Inc. (35%)
Cebu District Property Enterprise, Inc. (10%)
Southportal Properties, Inc. (35%)
South Innovative Theater Management, Inc. (100%)
Mercado General Hospital, Inc. (36.01%) **(An Associate of ALI Group)**
Asian I-Office Properties, Inc. (100%)
Cebu District Property Enterprise, Inc. (5%)

Direct Investments in Joint Ventures



Direct Investments in Associates



AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE K - LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS
December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs	Not early adopted		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition*	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination*	Not early adopted		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements*	Not early adopted		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposal*	Not early adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7:	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Reclassification of Financial Assets			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
	Amendments to PFRS 7: Amendments to PFRS 7: Servicing Contracts*	Not early adopted		
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not early adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*	Not early adopted		
PFRS 9	Financial Instruments (2010 version)	Not early adopted		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*	Not early adopted		
	Financial Instruments (2014 or final version)*	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	Not early adopted		
	Amendments to PFRS 13: Portfolio Exception*	Not early adopted		
PFRS 14	Regulatory Deferral Accounts*	Not early adopted		
IFRS 15	Revenue from Contracts with Customers**	Not early adopted		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
(Revised)	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation*	Not early adopted		
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not early adopted		
	Amendments to PAS 16: Bearer Plants*	Not early adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions*	Not early adopted		
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate*	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel*	Not early adopted		
PAS 26	Accounting and Reporting by Retirement Benefit			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Plans			
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements*	Not early adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendment to PAS 32: Presentation – Tax effect of distribution to holders of equity instrument	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	Not early adopted		
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'*	Not early adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization*	Not early adopted		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40*	Not early adopted		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants*	Not early adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	*Scope of PFRS 2*	✓		
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate***			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* *Approved by FRSC but still for approval of BOA*
** *New standard issued by the IASB has not yet been adopted by the FRSC*
*** *Effectivity has been deferred by the SEC and FRSC*

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE L- Financial Ratios
December 31, 2014

	2014	2013
	(Amounts inThousands)	
Current / liquidity ratios		
Current Assets	165,634,445	146,986,959
Current liabilities	135,446,156	101,623,207
Current ratios	**1.22**	**1.45**
Current Assets	165,634,445	146,986,959
Inventory	48,179,191	43,572,245
Quick assets	117,455,254	103,414,714
Current liabilities	135,446,156	101,623,207
Quick ratios	**0.87**	**1.02**

	2014	2013
	(Amounts inThousands)	
Solvency/ debt-to-equity ratios		
Short-term debt	16,302,312	12,407,056
Current portion of long-term debt	5,066,903	3,542,152
Long-term debt - net of current portion	103,296,454	85,952,677
Debt	**124,665,669**	**101,901,885**
Equity *	121,995,458	112,097,566
Less: Unrealized gain - AFS	135,815	32,105
Equity, net of unrealized gain	**121,859,643**	**112,065,461**
Debt to equity ratio	**1.02**	**0.91**
Debt	124,665,669	101,901,885
Cash and cash equivalents	28,677,282	27,966,138
Short term investments	301,405	16,728
Financial assets at FV through P&L	5,607,838	12,794,654
Net Debt	90,079,144	61,124,365
Equity*	121,995,458	112,097,566
Net Debt to equity ratio	**0.74**	**0.55**

	2014	2013
	(Amounts inThousands)	
Asset to equity ratios		
Total Assets	388,944,463	325,473,685
Total Equity*	121,995,458	112,097,566
Asset to Equity Ratio	**3.19**	**2.90**

*** Based on consolidated equity**

	2014	2013
	(Amounts inThousands)	

Interest rate coverage ratio

Net income after tax	**17,714,458**	**14,304,693**
Add:		
Provision for income tax	6,142,329	4,655,370
Interest expense and other financing charges	5,365,716	4,115,555
Other charges	375,797	678,930
	11,883,842	9,449,855
Less:		
Interest and investment income	4,816,980	3,538,357
EBIT	**24,781,320**	**20,216,191**
Depreciation and amortization	4,990,465	3,898,401
EBITDA	**29,771,785**	**24,114,592**
Interest expense	5,195,123	3,735,452
Short-term debt	***574,398***	*815,954*
Long-term debt	***4,620,725***	*2,919,498*
Interest rate coverage ratio	**5.7**	**6.5**

	2014	2013
	(Amounts inThousands)	

Profitability ratios

Net Income Attributable to Equity holders of Ayala Land, Inc.	14,802,642	11,741,764
Revenue	95,197,046	81,523,070
Net income margin	**15.5%**	**14.4%**

Net income after tax	17,714,458	14,304,693
Total Assets CY	388,944,463	325,473,685
Total Assets PY	325,473,685	254,115,680
Average Total Assets	357,209,074	289,794,683
Return on total assets	**5.0%**	**4.9%**

Net income after tax	14,802,642	11,741,764
Total Equity-CY	106,939,836	98,469,775
Total Equity-PY	98,469,775	81,993,169
Average total equity	102,704,806	90,231,472
Return on Equity	**14.4%**	**13.0%**

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE M – SCHEDULE and USE OF PROCEEDS
December 31, 2014

P5.0 Billion Fixed Rate Bonds due 2021

	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**5,000,000,000.00**	**5,000,000,000.00**
Expenses		
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration	1,812,500.00	1,812,500.00
Legal Research Fee	18,125.00	18,125.00
Upfront Fees	-	-
Underwriting Fee	18,750,000.00	18,750,000.00
Professional Expenses and Agency Fees	3,828,500.00	4,051,801.20
Out of Pocket Expenses (publication, printing etc.)	2,500,000.00	275,128.39
Total Expenses	**52.051.125.00**	**49,907,554.59**
Net Proceeds	**4,947,978,875.00**	**4,950,092,445.41**

Balance of Proceeds as of 12.31.2014 **P1.7B**

Cebu Holdings, Inc. raised from the Bonds gross proceeds of P5.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P4.95 billion. Net proceeds were used to partially finance various projects.

P8 Billion Fixed Rate Callable Bonds due 2025

	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	**8,000,000,000.00**	**8,000,000,000.00**
Expenses		
Documentary Stamp Tax	40,000,000.00	40,000,000.00
Underwriting Fee	30,000,000.00	30,000,000.00
SEC Registration		
SEC Registration Fee	4,312,500.00	4,312,500.00
SEC Legal Research Fee	43,125.00	43,125.00
Professional Expenses	7,748,500.00	7,178,064.00
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	126,279.00
Listing Fee	168,000.00	100,000.00
Total Expenses	**84,772,125.00**	**81,759,968.00**
Net Proceeds	**7,915,227,875.00**	**7,918,240,032.00**

Balance of Proceeds as of 12.31.2014 **NIL**

Ayala Land raised from the Bonds gross proceeds of P8.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P7.9 billion. Net proceeds were used to partially finance various projects.

P4.0 Billion in Fixed Rate Bonds due 2020 and P2.0 Billion Fixed Rate Bonds due 2033

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

Balance of Proceeds as of 12.31.2014 NIL

Ayala Land raised from the Bonds gross proceeds of P6.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P5.9 billion. Net proceeds were used to partially finance various projects.

P15.0 Billion Fixed Rate Bonds due 2024

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

Balance of Proceeds as of 12.31.2014 NIL

Ayala Land raised from the Bonds gross proceeds of P15.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P14.9 billion. Net proceeds were used to partially finance various projects.

P9.35 Billion Fixed Rate Callable Bonds due 2019 and ₱5.65 Billion Fixed Rate Callable Bonds due 2022

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

Balance of Proceeds as of 12.31.2014 NIL

Ayala Land raised from the Bonds gross proceeds of P15.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P14.9 billion. Net proceeds were used to partially finance various projects.

HOMESTARTER BONDS 6

	PROSPECTUS	ACTUAL
Issue Amount	**2,000,000,000.00**	**2,000,000,000.00**
Expenses		
Underwriting and Other Professional Fees	15,000,000.00	15,060,000.00
Issue Management Fee	2,000,000.00	2,000,000.00
Underwriting Fee	12,500,000.00	12,500,000.00
Legal Fee – Joint Underwriters	500,000.00	560,000.00
Marketing/Printing/Photocopying Costs and OPEs	2,200,000.00	1,486,780.27
Documentary Stamp Tax	10,000,000.00	10,000,000.00
Total Expenses	**27,200,000.00**	**26,546,789.27**
Net Proceeds	**1,972,800,000.00**	**1,973,453,210.73**

Balance of Proceeds as of 12.31.2014 **NIL**

Ayala Land raised from the Bonds gross proceeds of P2.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P1.97 billion. Net proceeds were used to partially finance various projects.

HOMESTARTER BONDS 5

	PROSPECTUS	ACTUAL
Issue Amount	**1,000,000,000.00**	**1,000,000,000.00**
Expenses		
SEC Registration	1,325,625.00	1,325,625.00
Underwriting and Other Professional Fees	8,000,000.00	9,421,000.00
Marketing/Printing/Photocopying Costs and OPEs	2,200,000.00	1,587,085,83
Registry and Paying Agency Fees	200,000.00	154,090.30
Documentary Stamp Tax	10,000,000.00	5,000,000.00
Total Expenses	**21,725,625.00**	**17,487,801.13**
Net Proceeds	**978,274,375.00**	**982,512,198.87**

Balance of Proceeds as of 12.31.2014 **NIL**

Ayala Land raised from the Bonds gross proceeds of P1.0Bn. After issue-related expenses, actual net proceeds amounted to P982.5 million. Net proceeds were used to partially finance various projects.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

2015 ANNUAL CORPORATE GOVERNANCE REPORT

1.	Report is Filed for the Year	2015
2.	Exact Name of Registrant as Specified in its Charter	Ayala Land, Inc.
3.	31st Floor Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue, Makati City Address of Principal Office	1226 Postal Code
4.	SEC Identification Number 152747	5. (SEC Use Only) Industry Classification Code
6.	BIR Tax Identification Number	000-153-790-000
7.	(632) 750 6974 Issuer's Telephone number, including area code	
8.	Not Applicable Former name or former address, if changed from the last report	

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	9

Actual number of Directors for the year	9

(a) Composition of the Board (Definitive Information Statement)

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual /Special Meeting)	No. of years served as director
Fernando Zobel de Ayala	NED	Ayala Corp.	Melany T. Donato	4/1999	04/5/2015	Annual Meeting	16 (Chairman)
Jaime Augusto Zobel de Ayala	NED	Ayala Corp.	Melany T. Donato	6/1988	04/5/2015	Annual Meeting	27
Bernard Vincent O. Dy	ED	Ayala Corp.	Melany T. Donato	4/2014	04/5/2015	Annual Meeting	1
Antonino T. Aquino	NED	Ayala Corp.	Melany T. Donato	4/2009	04/5/2015	Annual Meeting	6
Delfin L. Lazaro	NED	Ayala Corp.	Melany T. Donato	4/1996	04/5/2015	Annual Meeting	19
Vincent Y. Tan	NED	Ayala Corp.	Melany T. Donato	4/2014	04/5/2015	Annual Meeting	1
Francis G. Estrada	ID	N.A	Melany T. Donato*	4/2008	04/5/2015 (7 years)	Annual Meeting	7
Jaime C. Laya	ID	N.A	Melany T. Donato*	4/2010	04/5/2015 (5 years)	Annual Meeting	5
Rizalina G. Mantaring	ID	N.A	Melany T. Donato*	4/2014	04/5/2015 (1 year)	Annual Meeting	1
Melany T, Donato is not related to the independent directors							

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The machinery for corporate governance of Ayala Land, Inc. ("Ayala Land, Inc." or the "Corporation" or the "Company") is principally contained in the Corporation's Articles of Incorporation and By-Laws and their amendments. These constitutive documents lay down, among others, the basic structure of governance, minimum qualifications of directors, and the principal duties of the Board of Directors and officers of the Corporation. The function of the Manual of Corporate Governance is to supplement and complement the Corporation's Articles and By-Laws by setting forth principles of good and transparent governance.

The Board of Directors, Management, Officers and employees of Ayala Land, Inc. commit themselves to the principles and best practices of governance contained in its Corporate Governance Manual as a guide in the attainment of its corporate goals. The Corporation shall make a continuing effort to create awareness of good corporate governance within the organization. At the same time, the entire organization has a continuing commitment to the Vision statement and corporate values of Ayala Land, Inc.

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the Corporation. Within their chartered authority, the directors acting as a board have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

It is the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholder rights and recognize lawful mechanisms to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts, and monthly internal financial statements. Any variance between projections and actual results should also be disclosed. Moreover, the Investor Relations Division is in charge of formulating a clear policy on communicating relevant and accurate information to stockholders and the investing public in a timely manner as well as preparation of disclosure documents to regulatory bodies.

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of the stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholders having a legitimate purpose for such access.

The Company respects all the rights of all shareholders, especially the minority shareholders, which are as follows:

i) Voting Right

Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Corporation.

ii) Pre-emptive Right

All stockholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code.

iii) Right of Inspection

Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.

iv) Right to Information

Upon request and for a legitimate purpose, a shareholder shall be provided, with periodic reports which *disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Corporation's shares, dealings with the Corporation, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the Commission.*

The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

v) Right to Dividends

Shareholders have the right to receive dividends subject to the discretion of the Board. However, the Commission may direct the corporation to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except:

1) when justified by definite corporate expansion projects or programs approved by the Board or

2) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or

3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for a special reserve for probable contingencies.

vi) Appraisal Right

In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:

1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and

3) In case of merger or consolidation

(c) How often does the Board review and approve the vision and mission?

The Board conducts a review of the Company's vision and mission, strategies and corporate governance practices on an annual basis and provides for necessary improvements.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[1]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Fernando Zobel de Ayala	Ayala Corporation Manila Water Company, Inc. AC International Finance LTD. Ayala International PTE LTD. Ayala DBS Holdings Inc. Alabang Commercial Corp. AC Energy Holdings, Inc. Hero Foundation, Inc. Mermac, Inc. Bank of the Philippine Islands Globe Telecom, Inc. Integrated Micro-Electronics, Inc. LiveIt Investments, LTD. Asiacom Philippines, Inc. AG Holdings Limited Ayala International Holdings LTD. AI North America, Inc. Vesta Property Holdings, Inc. Honda Cars Philippines, Inc. Isuzu Philippines Corporation	Executive Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Jaime Augusto Zobel de Ayala	Ayala Corporation Globe Telecom, Inc. Bank of the Philippine Islands Integrated Micro-Electronics, Inc. Manila Water Company, Inc. Mermac, Inc. Alabang Commercial Corp. Ayala International PTE LTD. AC Energy Holdings, Inc.	Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Bernard Vincent O. Dy	Ayala Land International Sales, Inc. Anvaya Cove Golf & Sports Club, Inc. Amicassa Process Solutions, Inc. Avida Land Corporation Alveo Land Corporation Serendra, Inc. Varejo Corporation Fort Bonifacio Development Corp. Ayala Land Sales, Inc. BellaVita Land Corporation Amaia Land Corporation North Triangle Depot Commercial Corp. Alabang Commercial Corp. Station Square East Commercial Corp. Ayala Greenfield Golf & Leisure Club, Inc. Philippine FamilyMart CVS, Inc. SIAL Specialty Retailers, Inc. SIAL CVS Retailers, Inc.	Chairman Chairman Chairman Non-Executive Non-Executive Executive Executive Non-executive Non-executive Non-executive Non-executive Non-executive Non-executive Non-executive Non-executive Non-executive Non-executive Non-executive

[1] *The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.*

Antonino T. Aquino	Alveo Land Corporation Cebu Holdings, Inc. Cebu Property Ventures & Development Corporation Ayala Hotels, Inc. Makati Development Corporation North Triangle Depot Commercial Corporation Station Square East Commercial Corporation Fort Bonifacio Development Corporation Alabang Commercial Corporation Accendo Commercial Corporation Aurora Properties, Inc. Ceci Realty, Inc. Vesta Property Holdings, Inc. Manila Water Company, Inc.	Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Non-Executive, Chairman Executive Executive Executive Executive Executive Executive Non-Executive
Delfin L. Lazaro	Ayala Corporation Globe Telecom Integrated-Micro Electronics, Inc. Manila Water Company, Inc. Ayala DBS Holdings, Inc. AC Energy Holdings, Inc. Ayala International Holdings, Inc. AG Holdings, Inc. AI North America, Inc.	Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Vincent Y. Tan	Ayala Greenfield Golf & Leisure Club, Inc. Ayala Property Partners Corporation First Gateway Real Estate Corporation GlensworthDevelopment, Inc. One Dela Rosa Property Development, Inc. Gisborne Property, Inc. UP North Property Holdings, Inc. Station Square East Commercial Corp. North Triangle Depot Commercial Corp.	Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Francis G. Estrada	Development Bank of the Philippines, Bancom Alumni Inc. Philamlife and General Insurance Co. Rizal Commercial Banking Corporation RCBC Savings Bank Engineering Equipment, Inc. Clean Air Asia, Inc. Armed Forces of the Philippines, Multi-Sectoral Governance Council Maximo T. Kalaw Foundation	Chairman Vice-Chairman Independent Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Jaime C. Laya	Philippine Trust Company GMA Network, Inc. GMA Holdings, Inc. Manila Water Company, Inc. Philippine AXA Life Insurance Co, Inc.	Executive, Chairman& President Independent Independent Independent Independent
Rizalina G. Mantaring	Sun Life of Canada (Philippines) Inc. Sun Life Financial – Philippines Foundation Sun Life Financial Plans, Sun Life Asset Management Co. Inc. Sun Life Financial Philippine Holding Co. Inc. Sun Life Grepa Financial, Inc. Grepalife Asset Management Corporation	Executive, President & CEO Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive

	Microventures Foundation, Inc.	Independent

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Jaime C. Laya	Philippine Trust Company GMA Network, Inc. GMA Holdings, Inc.	Executive, Chairman Independent Independent
Francis G. Estrada	Rizal Commercial Banking Corp.	Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Jaime Agusto Zobel de Ayala	*Ayala Corporation*	*Mr. Zobel is a director and officer of Ayala Corporation.*
Fernando Zobel de Ayala	*Ayala Corporation*	*Mr. Zobel is a director and officer of Ayala Corporation.*

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	A director shall exercise due discretion in accepting and holding directorships outside of Ayala Land, Inc. A director may hold any number of directorships outside of the Company provided that in the director's opinion, these other positions do not detract from the director's capacity to diligently perform his duties as a director of the Corporation.	
Non-Executive Director		
CEO		

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Fernando Zobel de Ayala	12,000	-	0.00004
Jaime Augusto Zobel de Ayala	12,000	-	0.00004
Bernard Vincent O. Dy	10	9,009,787	0.06
Antonino T. Aquino	4,297,165	16,008,061	0.14
Delfin L. Lazaro	0	1	0
Vincent Y. Tan	4,732,120	9,160,151	0.1
Francis G. Estrada	1	0	0

Jaime C. Laya	10,000	0	0
Rizalina G. Mantaring	1	0	0
TOTAL	**9,063,297**	**34,178,000**	**0.3**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [X] No [ ]

Identify the Chair and CEO:

Chairman of the Board	Fernando Zobel de Ayala
CEO/President	Bernard Vincent O. Dy

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role Deliverables	The Chairman of the Board is responsible for setting the overall business direction. The Chairman shall, when present, preside at all meetings of the Board and shall render advice and counsel to the President. He shall: • Schedule meeting to enable the Board to perform its duties responsibly while not interfering with the flow of the Corporation's operations • Prepare the meeting agenda in consultation with the CEO • Exercise control over quality, quantity and timeliness of the flow of information between Management and the Board • Assist in ensuring compliance with the Corporation's guidelines on corporate governance The Chairman shall have such other responsibilities as the Board of Directors may impose upon him.	The Chief Executive Officer is in charge of preparing and executing the business plan as outlined by the Chairman. Minimum internal control mechanisms for management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Corporation's organizational and procedural controls. In addition, to the duties imposed on the President/CEO by the Board of Directors, the President shall: • Have general supervision of the business, affairs, and property of the Corporation, and over its employees and officers • See that all orders and resolutions of the Board of Directors are carried into effect • Submit to the Board as soon as possible after the close of each fiscal year, and to stockholders at the annual meeting, a complete report of the operations of the Corporation for the preceding year, and the state of its affairs • Report to the Board from time to time all matters within its knowledge which the interest of the Corporation may require to be brought to their notice The President/CEO shall have such other responsibilities as the Board of Directors may impose upon him.
Accountabilities	The Chairman and CEO shall be accountable for willfully and knowingly voting or consenting to patently unlawful acts of the Corporation and gross negligence or bad faith in directing the affairs of the Corporation or acquire any personal or pecuniary interest in conflict with their duties as such Chairman and CEO (as directors). They shall be liable jointly and severally for all damages resulting from these forms suffered by the Corporation, its stockholders and other persons. Furthermore, when they attempt to acquire or acquires, in violation of their duties, any interest	

	adverse to the Corporation, in respect of any matter which has been reposed in them in confidence, as to which equity imposes a disability upon them to deal in their own behalf, they shall be liable as a trustee for the Corporation and must account for the profits which otherwise would have accrued to the Corporation.

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

The Company institutes a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Corporation. The Board of Directors prioritizes senior officers from within the organization. Strong candidates are usually given expanded roles for a few years prior to assuming a higher post. In the event that the Board opts to hire externally, the Human Resource Department and accredited executive search firms are tasked to source potential candidates.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

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

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

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

A director of the company is required to have adequate competence and understanding of the fundamentals of the real estate industry or sufficient experience and competence in managing a business to substitute for formal education, as well as to be a member in good standing in relevant industry and professional organizations.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

<table>
<tr><th></th><th>Executive</th><th>Non-Executive</th><th>Independent Director</th></tr>
<tr><td>Role</td><td colspan="3" rowspan="3">
Govern and manage the business of the Corporation.
Conduct fair business transactions with the Corporation and ensure that personal interest does not bias Board decisions. A director shall not use his position to make profit or to acquire benefit advantage for himself or his related interests. He should avoid situations that may compromise his impartiality and observe the conflict of interest policy of the Company.
Devote time and attention necessary to properly discharge his duties and responsibilities A director should attend and actively participate in Board meetings.
Act judiciously. Before deciding on any matter brought before the Board of Directors, every director should evaluate the issues, ask questions and seek clarifications as appropriate.
Exercise independent judgment. A director should view each problem/situation objectively and support plans and ideas which he believes are beneficial to the Company.
Have a working knowledge of the statutory and regulatory requirements affecting the Corporation. This would include a firm knowledge of the contents of the Articles of Incorporation and By-laws of the Corporation and the amendments thereof, the requirements of the PSE and SEC for the conduct of the Corporation's business, and where applicable, the requirements of other regulatory agencies.
Observe confidentiality. A director shall observe the confidentiality of non-public information acquired by reason of his position as director. He should not disclose any information to any other person without the authority of the Board.
Ensure the continuing soundness, effectiveness and adequacy of the Corporation's control environment. Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Corporation.
Exercise of degree of skill, diligence and care that a reasonably prudent person would exercise in similar circumstances. It shall be sufficient for a director to act on an informed basis in good faith and in an honest belief that the action was taken in the best interest of the Corporation.
Prior to assuming office, attend a seminar on corporate governance which shall be conducted by a duly recognized private or government institution.
</td></tr>
<tr><td>Accountabilities</td></tr>
<tr><td>Deliverables</td></tr>
</table>

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independent directors shall hold no interests or relationships with the Corporation that may hinder their independence from the Corporation or Management and would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Corporation's set of independent directors is in full compliance with its definition of independence. All independent directors of the Corporation have submitted a letter of confirmation to the Corporate Secretary stating that he/she holds no interests affiliated with the corporation, management or controlling shareholder at the time of his/her election, re-election or appointment as director. Moreover, for purposes of compliance *with the legal requirement on independent directors:*

- *Officers, executives and employees of the Corporation may be elected as directors but cannot and shall not be characterized as independent directors*

- *If a director elected or appointed as an independent director subsequently becomes an officer of employee of the Corporation, the Corporation shall forthwith cease to consider him/her as an independent director*

- *If the beneficial security ownership of an independent director of the Corporation or in its related companies exceeds two percent, the Corporation shall forthwith cease to consider him/her as an independent director until the beneficial security ownership of the director is reduced to two percent or lower.*

Does the company have a term limit of five consecutive years for independent directors?

The Board of Directors shall have nine members who shall be elected by the Corporation's stockholders entitled to vote at the annual meeting, and shall hold office for one year and until their successors are elected and qualified in accordance with the By-Laws of the Corporation.

If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Independent directors may serve for a period of not more than nine years. An independent director, after serving for nine years, shall be perpetually barred from being elected as such in the Corporation, without prejudice to being elected as independent director in other companies outside of the business conglomerate, where applicable, under the same conditions provided for in the rules and regulations of the SEC.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Aurelio R. Montinola III	Non-Executive	April 07, 2014	Retirement
Mercedita S. Nolledo	Non-Executive	April 07, 2014	Retirement
Oscar S. Reyes	Independent	April 07, 2014	Retirement

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

<table>
<tr><th>Procedure</th><th>Process Adopted</th><th>Criteria</th></tr>
<tr><td>a. Selection/Appointment</td><td colspan="2" rowspan="6">The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the Corporation. Within their chartered authority, the directors acting as a board have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

The Company's independent directors can serve as such for five consecutive years. He or she may be re-elected after the two year cooling-off period and can serve for another four consecutive years.</td></tr>
<tr><td>(i) Executive Directors</td></tr>
<tr><td>(ii) Non-Executive Directors</td></tr>
<tr><td>(iii) Independent Directors</td></tr>
<tr><td>b. Re-appointment</td></tr>
<tr><td>(i) Executive Directors</td></tr>
</table>

(ii) Non-Executive Directors

(iii) Independent Directors

A director of the Company shall have the following qualifications:

a) Ownership of at least one share of the capital stock of the Corporation

b) A college degree or its equivalent or adequate competence and understanding of the fundamentals of the real estate industry or sufficient experience and competence in managing a business to substitute for such formal education

c) Membership in good standing in relevant industry and membership in business or professional organizations

d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions

c. Permanent Disqualification

(i) Executive Directors

(ii) Non-Executive Directors

(iii) Independent Directors

d. Temporary Disqualification

(i) Executive Directors

(ii) Non-Executive Directors

(iii) Independent Directors

e. Removal

(i) Executive Directors

(ii) Non-Executive Directors

(iii) Independent Directors

f. Re-instatement

(i) Executive Directors

(ii) Non-Executive Directors

(iii) Independent Directors

g. Suspension

(i) Executive Directors

(ii) Non-Executive Directors

(iii) Independent Directors

The following persons are disqualified from being a Director of the Corporation:

a) Any person who has been finally convicted by a competent judicial or administrative body of the following:
- any crime involving the purchase or sale of securities
- any crime arising out of the person's conduct as an underwriter, broker, dealer, investment Corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor and floor broker
- any crime arising out of his relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them

b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by older, judgment or decree of the Commission or any court or other administrative body of competent jurisdiction from:
- acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor or a floor broker
- acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them
- engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities and banking activities

Such disqualification shall also apply when such person is currently subject to an effective order of the Commission or any court or other administrative body refusing, revoking or suspending any registration, license or permit issued under the Corporation Code, Securities Regulations Code, or any other law administered by the Commission or Bangko Sentral ng Pilipinas, or under any rule of regulation promulgated by the Commission or Bangko Sentral ng PIlipinas, or otherwise restrained to engage in any activity involving securities and banking.

Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization.

a) Any person finally convicted judicially of an offense involving moral turpitude or fraudulent acts or transgressions

b) Any person finally found by the Commission or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the Commission, or any rule, regulation or order of the Commission or the Bangko Sentral ng Pilipinas

c) Any person judicially declared to be insolvent

d) Any person finally found guilty by a foreign court or equivalent financial

	regulatory authority of acts, violations, or misconduct listed in foregoing paragraphs e) Any person convicted by final and executory judgment of an offense punishable by imprisonment for a period exceeding six years, or a violation of the Corporation Code, committed within five years prior to the date of his election or appointment f) No person shall qualify or be eligible for nomination or election to the Board of Directors if he is engaged in any business which competes with or is antagonistic to that of the Corporation, without limiting generality of the foregoing, a person shall be deemed to be so engaged: g) If he is an officer, manager or controlling person or the owner of 10% or more of any outstanding class of shares of any corporation (other than one in which the Corporation owns at least thirty percent of the capital stock) engaged in a business which the Board, by at least three fourths (3/4) vote, determines to be competitive or antagonistic to that of the Corporation h) If he is an officer, manager or controlling person of the owner of 10% or more of any outstanding class of shares of any other corporation or entity engaged in any line of business of the Corporation, when in judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board of Directors i) If the Board, in the exercise of its judgment in good faith, determines by at least three-fourths (3/4) vote, that he is the nominee of any person set forth in the above mentioned conditions In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations. The following are temporary grounds for temporary disqualification of incumbent directors: a) Refusal to fully disclose the extent of his business interest as required under the Securities Regulation Code and its implementing rules and regulations. This disqualification shall be in effect as long as his refusal persists. b) Absence or non-participation for whatever reasons in more than Fifty Percent of all meetings, both regular and special, of the Board of Directors during his incumbency, or any twelve month period during said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election. c) Dismissal/termination from directorship in another listed corporation for cause. This disqualification shall be in effect until he has cleared himself of any involvement in alleged irregularity d) Being under preventive suspension by the Corporation for any reason e) Conviction that has not yet become final referred to in the grounds for disqualifications of directors Temporary disqualification shall be at the discretion of the Board of Directors and shall require a resolution of a majority of the Board. A temporarily disqualified director shall within sixty days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails to do so for unjustified reasons, the disqualification shall become permanent.

Voting Result of the last Annual General Meeting (as of April 6, 2015)

Name of Director	Votes Received*
Fernando Zobel de Ayala	22,951,337,713 (98.75%)
Jaime Augusto Zobel de Ayala	22,871,422,383 (98.40%)
Bernard Vincent O. Dy	23,098,970,030 (99.38%)
Antonino T. Aquino	22,897,612,080 (98.51%)
Delfin L. Lazaro	23,049,849,754 (99.17%)
Vincent Y. Tan	23,065,012,102 (99.23%)
Francis G. Estrada (independent)	23,102,101,118 (99.39%)
Jaime C. Laya (independent)	23,064,696,914 (99.23%)
Rizalina G. Mantaring (independent)	23,216,633,158 (99.89%)

**Based on the number of shares represented during the meeting.*

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

(b) State any in-house training and external courses attended by Directors and Senior Management[2] for the past three (3) years:

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

Along with the members of the Board, the Company requires members of the Management Committee and other key officers to receive periodic training in corporate governance.

As of 31 March 2015, eight members of the Board and eighteen members of the Management Committee and key officers have attended an accredited corporate governance training program.

All new employees are given an internal training module for corporate governance to effectively broaden their awareness and ensure the practice of the principles of good corporate governance. Aside from this, the Corporation also conducts regular in-house training through the following programs:

- *Professionals In Development – on boarding program for new hires*
- *New Managers Boot Camp – for new managers*
- *Coaching for Development – training program for senior division managers*
- *GM Mentoring – training program for senior management*

(c) Continuing education programs for Senior Management: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Board of Directors (8)			
Fernando Zobel de Ayala	02/18/2015	Ayala Corporate Governance Summit	ICD

[2] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Jaime Augusto Zobel de Ayala	02/18/2015	Ayala Corporate Governance Summit	ICD
Bernard Vincent O. Dy	02/18/2015	Ayala Corporate Governance Summit	ICD
Antonino T. Aquino	02/18/2015	Ayala Corporate Governance Summit	ICD
Delfin L. Lazaro	02/18/2015	Ayala Corporate Governance Summit	ICD
Vincent Y. Tan	02/18/2015	Ayala Corporate Governance Summit	ICD
Jaime C. Laya	02/18/2015	Ayala Corporate Governance Summit	ICD
Rizalina G. Mantaring	02/18/2015	Ayala Corporate Governance Summit	ICD
Management Committee and Key Officers (18)			
Dante M. Abando	02/18/2015	Ayala Corporate Governance Summit	ICD
Leovigildo D. Abot	02/18/2015	Ayala Corporate Governance Summit	ICD
Aniceto V. Bisnar Jr.	02/18/2015	Ayala Corporate Governance Summit	ICD
Arturo G. Corpuz	02/18/2015	Ayala Corporate Governance Summit	ICD
Ma. Corazon G. Dizon	02/18/2015	Ayala Corporate Governance Summit	ICD
Jose Emmanuel H. Jalandoni	02/18/2015	Ayala Corporate Governance Summit	ICD
Jose Juan Z. Jugo	02/18/2015	Ayala Corporate Governance Summit	ICD
Robert S. Lao	02/18/2015	Ayala Corporate Governance Summit	ICD
Michael Alexis C. Legaspi	02/18/2015	Ayala Corporate Governance Summit	ICD
Joselito N. Luna	02/18/2015	Ayala Corporate Governance Summit	ICD
Christopher B. Maglanoc	02/18/2015	Ayala Corporate Governance Summit	ICD
Romeo T. Menpin Jr.	02/18/2015	Ayala Corporate Governance Summit	ICD
Thomas F. Mirasol	02/18/2015	Ayala Corporate Governance Summit	ICD
Rodelito J. Ocampo	02/18/2015	Ayala Corporate Governance Summit	ICD
Jaime E. Ysmael	02/18/2015	Ayala Corporate Governance Summit	ICD
Solomon H. Hermosura	02/18/2015	Ayala Corporate Governance Summit	ICD
June Vee D. Monteclaro-Navarro	02/18/2015	Ayala Corporate Governance Summit	ICD
Nylah Rizza D. Bautista	02/18/2015	Ayala Corporate Governance Summit	ICD

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

<table>
<tr><th>Business Conduct & Ethics</th><th>Directors</th><th>Senior Management</th><th>Employees</th></tr>
<tr><td>(a) Conflict of Interest
(b) Conduct of Business and Fair Dealings
(c) Receipt of gifts from third parties
(d) Compliance with Laws & Regulations
(e) Respect for Trade Secrets/Use of Non-public Information
(f) Use of Company Funds, Assets and Information
(g) Employment & Labor Laws & Policies
(h) Disciplinary action
(i) Whistle Blower
(j) Conflict Resolution</td><td colspan="3"><u>Conflict of Interest</u>

The personal interest of directors and officers should never prevail over the interest of the Corporation. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in the Corporation.

They must promote the common interest of all shareholders and the Corporation without regard to their own personal and selfish interest. A conflict of interest exists when a director or an officer of the Corporation:

• Supplies or is attempting or applying to supply goods or services to the Corporation
• Supplies or is attempting to supply goods, services, information to an entity in competition with the Corporation
• By virtue of his/her office, acquires or is attempting to acquire for himself/herself a business opportunity which should belong to the Corporation
• Is offered or receives consideration for delivering the Corporation's business to a third party
• Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Corporation

If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making. A director who has continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board.

All employees shall avoid conflict of interest. In case an apparent conflict of interest develops,</td></tr>
</table>

employees shall disclose the facts promptly to their Unit Manager and the Employee Relations Manager, who, when appropriate, will inform the Group Head and the President regarding the proper action.

Conduct of Business and Fair Dealings

A contract of the Corporation with one or more of its directors or officers is voidable, at the option of the Corporation, unless all the following conditions are present:

- The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting
- The vote of such director was not necessary for the approval of the contract
- The contract is fair and reasonable under the circumstances
- In case of an officer, the contract has been previously approved by the Board of Directors

Where a director, by virtue of his office, acquires himself a business opportunity which should belong to the Corporation, thereby obtaining profits to the prejudice of the Corporation, the director must account to the latter for all such profits by refunding the same. In the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds of the outstanding capital stock in a meeting called for that purpose provided that full disclosure of the adverse interest of the director involved is made at such meeting and provided further that the contract is fair and reasonable under the circumstances.

No employee shall engage or continue to be engaged in a business with a competitor, customer or supplier of the Corporation or any of its subsidiaries/affiliates without the prior written approval of the President. Likewise, no employee who is in position to influence the Corporation's business decisions or who is privy to confidential information, or in a position to cause undue preferential treatment in favor of a broker, customer or supplier, shall accept any donation from any of the same, without the prior written approval of the President.

Receipts of Gifts from Third Parties

All employees shall report to their immediate supervisors any offer or gift of any value given to them or their immediate family member that may influence their recommendation of decision on certain proposals or issues affecting the Corporation or its subsidiaries/affiliates.

Compliance with Laws and Regulations

The Corporation is in full compliance with all existing corporate and labor laws in the Philippines.

Respect for Trade Secrets/Use of Non-public Information

No employee shall disclose or use any confidential information gained in the course of employment for personal profit or advantage of the employee or any other person. The prohibition includes speculation or investments in securities.

Use of Company Funds, Assets and Information

No employee shall disclose or use company funds, assets and information gained in the course of employment for personal purposes or that of a third party without prior consent of his/her Unit Manager.

Employment & Labor Laws & Policies

The Corporation observes exemplary employment practices and strong adherence to labor laws and policies. Employee engagement and welfare is an integral part of the Corporation's overall strategy for organizational development. The Corporation's personnel development program is anchored on the belief that a highly engaged organization nurtures the most productive, effective and fulfilled employees. Employee occupational health and safety is of utmost priority while training sessions and activities are designed to enhance team and individual performance.

Disciplinary Action

Violation of any company policy, once proven and after due process, may constitute grounds for termination of employment for cause.

	Whistle Blower The Corporation has established business integrity channels that serve as communication facilities such as telephone, email, fax, website and face to face meetings, enabling individuals to freely report fraud, violations of laws, rules and regulations, or misconduct to people at authority without fear of retaliation. The ultimate goal is to give employees, third-party business partners and other stakeholders every possible means for coming forward, so that they report information to top management or to the Board of Directors. **Conflict Resolution** Any report must be made through appropriate reporting channels. A designated committee shall evaluate whether the information provided by the whistleblower is sufficient and within scope. If a case is deemed appropriate, the committee shall escalate all reports received to the recommended investigating unit for the conduct of preliminary investigation. At the conclusion of the investigation, if a report is substantiated, the committee shall conduct a full investigation in accordance with applicable company policies and procedures. All cases within scope of the business integrity channels must be resolved within a reasonable time as determined by the Corporation of its subsidiary from the time all relevant documents have been obtained. The Company has no record of conflicts or differences with its stockholders, regulatory authorities and other third parties. When dispute arises, the Company, however, will meet and discuss the issue and aim to reach a compromise with the other party. If compromise agreement is not reached, final arbitration will be sought.

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes, the Corporation's Code of Conduct and Ethics has been properly disseminated to all directors, senior management and employees.

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

ALI has established a compliance structure which assigns oversight responsibility for the Company's Code of Ethical Behavior program to the Human Resources Group (HRG) Head or his/her designate. SBU and Group Heads are responsible for establishing, implementing and maintaining an effective program, including a system of internal controls, to ensure compliance by everyone with all laws and regulations and the provisions of this Code. People who manage others have a special responsibility to show, through words and actions, personal commitment to the highest standards of integrity. As coaches and leaders, supervisors and managers must:

- *Maintain an environment of open communication in which the ALI values and the provisions of this Code and related policies and instructions are shared, discussed and even debated.*
- *Ensure that their people understand the ALI values and the provisions of this Code and provide additional training, when appropriate.*
- *Take reasonable steps to ensure that unethical conduct within their areas of responsibility is detected and addressed.*
- *Consider whether a person lives the ALI values before placing him or her in a position of responsibility. Everyone is responsible for notifying the Human Resources Group, Legal, Audit or the Compliance Officer immediately if he/she suspects, observes or learns of any unethical business conduct or the commission of any dishonest, destructive, or illegal act.*

The appropriate Group will investigate all reports and provide feedback when appropriate. There will be no reprisals against those who report suspected violations in good faith, and their identity will be protected to the extent consistent with law and ALI policy.

Because ALI strongly believes in ethical behavior, employees who do not comply with the provisions of this Code and *other Company policies and procedures may be subject to a range of disciplinary actions, up to and including dismissal. Additionally, violations of these standards could result in criminal penalties and/or civil liabilities.*

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company (2) Joint Ventures (3) Subsidiaries (4) Entities Under Common Control (5) Substantial Stockholders (6) Officers including spouse/children/siblings/parents (7) Directors including spouse/children/siblings/parents (8) Interlocking director relationship of Board of Directors	The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, and underwriting, marketing, leasing, and administrative service agreements. Sales and purchases of goods and services to and from related parties are made on an arm's length basis and at current market prices at the time of the transactions. Ayala Land has a Related Party Transaction Policy that aims to define related party relationships and transactions and to set out the guidelines, categories, and thresholds that will govern the review, approval, and ratification of these transactions by the Board of Directors or Shareholders, to ensure that related party relationships have been accounted for and disclosed in accordance with the International Accounting Standards (IAS) 24 on Related Party Disclosures. In accordance with the Charter of the Board of Directors, the Audit Committee is constituted as the Committee responsible to oversee and review the propriety of related party transactions and their required reporting disclosures. All directors and employees of Ayala Land and its subsidiaries are required to promptly disclose any business and family-related transactions with the Corporation and/or its subsidiaries, to ensure that potential conflicts of interest are surfaced and brought to the attention of management. All employees of the Corporation are also required to complete the mandatory form on "Business Interest/Related Party Disclosure" in the month of January of each year. This is duly noted by the employee's strategic business unit or group head, and submitted to the Human Resource Group which collates them in file and monitors compliance thereof. Further to this, the Corporation also ensures that its independent directors hold no conflict of interest with the

	Corporation. Independent directors are required to submit to the Corporate Secretary a letter of confirmation stating that they hold no interest in companies affiliated with the Corporation and the management or controlling shareholders of the Corporation at the time of their election or appointment and/or reelection as director as independent directors. The Corporation requires directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda when they are conflicted. Before commencement of the related party transaction, Management shall report to the Audit Committee each new or proposed related party transaction for review and approval. The report should cover the following: a. The terms, business purpose, benefits and other details of the related party transaction. b. The nature of the relationship of the party or parties involved in the transaction in relation to the Corporation. c. The description of the transaction, including the affected periods to be disclosed in the financial statements, including the amounts, and such other information necessary for better understanding of the effect of the proposed transaction in the financial statements, which may include the amounts due to or from related parties to the transaction, if any, and the terms and manner of settlement. The Audit Committee shall review all the information reported by Management and shall consider all of the relevant facts and circumstances available, including but not limited to the following: a. The terms of the transaction, which should be fair and to the best interest of the Corporation and no less favorable than those generally available to non-related parties under the same or similar circumstances b. The aggregate value of the related party transaction. c. Extent of the Related Party's interest in the transaction d. Whether the related party transaction would present an improper conflict of interests or special risks or contingencies for the Corporation, or the Related Party taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the nature of any proposed relationship

	e. Any other relevant information regarding the transaction. The Audit Committee shall approve related party transactions before their commencement. However, material or significant related party transactions will have to be endorsed by the Audit Committee to the Board for approval. Materiality thresholds applicable to related party transactions are to be defined and endorsed by the Audit Committee to the Board. The Board may, at its option, require that a related party transaction that it has approved, be also submitted to the stockholders for consideration and ratification. All employees of the Corporation are also required to complete the mandatory form on "Business Interest/ Related Party Disclosure" in the month of January of each year. This is duly noted by the employee's strategic business unit or group head, and submitted to the Human Resource Group which collates them in file and monitors compliance thereof.

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	N/A
Name of Officer/s	N/A
Name of Significant Shareholders	N/A

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	• It is the responsibility of each director to promote the best interest of the Corporation. Therefore, in making decisions, the directors should only pursue the interest of the Corporation, and must not consider their own personal advantage. Each director shall disclose any conflict of interest, annually through the Ayala Land Disclosure Form. A director with any material conflict of interest that has been determined to be permanent in nature shall be disqualified from the Board. • Notwithstanding the precautions set by the annual disclosure of conflict of interest, each director is required to abstain from participating in the discussion of, and from voting on, any matter where he is in conflict of interest at any point during the course of his service. • In line with the insider trading policy of the Corporation, each director is required to notify the Board at least one day before dealing in the shares of stock in the Corporation.
Group	

	• No person shall qualify or be eligible for nomination or election to the Board of if he is engaged in any business which competes with or is antagonistic to that of the Corporation in accordance with the Corporation's By-laws. • At least once a year, the non-executive directors must meet without any executives present. • Directors shall keep confidential all the information contained in the confidential reports or discussions for a period of at least two years. They shall also ensure that all persons who have access to the same information on their behalf shall likewise comply with this rule. • The personal interest of directors, key officers and employees should never prevail over the interest of the Company. If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision-making. If a director has an interest in a matter under consideration by the board, then the director should not participate in those discussions and the board should follow any further appropriate processes. • Individual directors should be conscious of shareholder and public perceptions and seek to avoid situations where there might be an appearance of conflict of interest. • The Ayala Land Internal Audit has aligned the policies on conflict of interest of Ayala Land with the subsidiaries and affiliates to facilitate a group-wide implementation. • The amended group-wide policy will continue to require strict compliance by all employees to file their Annual Business Interests and Related Party Disclosure forms with their respective Human Resources Division which will then be submitted for consolidation and filing. IAD will then review the disclosures and conduct audit to check compliance.

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[3] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	**Type of Relationship**	**Brief Description of the Relationship**
N/A	N/A	N/A

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	**Type of Relationship**	**Brief Description**
N/A	N/A	N/A

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	**% of Capital Stock affected (Parties)**	**Brief Description of the Transaction**
N/A	N/A	N/A

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third

[3] *Family relationship up to the fourth civil degree either by consanguinity or affinity.*

parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	The Company has no record of conflicts or differences with its stockholders, regulatory authorities and other third parties. When dispute arises, the Company, however, will meet and discuss the issue and aim to reach a compromise with the other party. If compromise agreement is not reached, final arbitration will be sought.
Corporation & Third Parties	
Corporation & Regulatory Authorities	

C. BOARD MEETINGS& ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Regular meetings of the full Board are scheduled at the onset of the year and held at least once every quarter

February 20, 2015(Friday, 230 pm)
April 6 (Monday, immediately after the Annual Stockholders' Meeting)
May 29 (Friday, 230 pm)
August 17 (Monday, 230 pm)
October 16 (Friday, 230 pm)
November 27(Friday, 230 pm)

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year*	No. of Meetings Attended	%
Chairman	Fernando Zobel de Ayala	4/7/2014	7	6	86%
Vice-Chairman	Jaime Augusto Zobel de Ayala	4/7/2014	7	5	71%
President and CEO	Bernard Vincent O. Dy	4/7/2014	5	5	100%
Member	Antonino T. Aquino	4/7/2014	7	7	100%
Member	Delfin L. Lazaro	4/7/2014	7	6	86%
Member	Vincent Y. Tan	4/7/2014	5	5	100%
Independent	Francis G. Estrada	4/7/2014	7	7	100%
Independent	Jaime C. Laya	4/7/2014	7	6	86%
Independent	Rizalina G. Mantaring	4/7/2014	5	5	100%

**In 2014 and during the incumbency of the director.*

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Executive sessions are held every now and then without the presence of any executives.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

A majority of the Directors shall constitute a quorum for the holding of a meeting and any resolution by a majority of the quorum duly convened in session shall be valid as a corporate act.

5) Access to Information

(a) How many days in advance are board papers[4] for board of directors meetings provided to the board?

Board materials are distributed to the Board of Directors at least five business days prior to the meeting.

(b) Do board members have independent access to Management and the Corporate Secretary?

[4] *Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.*

Board members have separate and independent access to the Corporate Secretary who oversees the adequate flow of information to other Board members prior to meetings and serves as an adviser to the directors on their responsibilities and obligations. They do have access to management on matters that need clarification as part of their oversight functions.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

The Corporate Secretary shall be a resident and citizen of the Philippines. He/she is an officer of the Corporation and his/her loyalty to the mission, vision, and specific business objectives of the Corporation must come with his duties. Considering his varied functions and responsibilities, he/she must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. He/she must also have some financial and accounting knowledge.

The Corporate Secretary shall have the following functions:

- *Serve as an adviser to the directors on their responsibilities and obligations*
- *Keep the minutes of meetings of the stockholders, the Board of Directors, the Executive Committee, and all other committees in a book or books kept for that purpose, and shall furnish copies thereof to the Chairman, the President and other members of the Board as appropriate*
- *Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same*
- *Have charge of the stock certificate book and such other books and papers as the Board may direct*
- *Attend to the giving and serving of notices of Board and shareholder meetings*
- *Be fully informed and be part of the scheduling process of other activities of the Board*
- *Prepare an annual schedule of board meetings and the regular agendas of meetings, and put the Board on notice of such agenda at every meeting*
- *Oversee the adequate flow of information to the Board prior to meetings*
- *Ensure fulfillment of disclosure requirements to the Securities and Exchange Commission and the Philippine Stock Exchange*

The Corporate Secretary shall have such other responsibilities as the Board of Directors may impose upon him/her, including the facilitation of trainings for directors when necessary.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Ayala Land's Corporate Secretary is trained in legal and company secretarial practices.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [x] No [ ]

Committee	Details of the procedures
Executive	Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Board materials are distributed to the Board of Directors, as much as possible, at least five (5) business days prior to the meeting.
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
The Corporate Secretary also serves as the Company's General Counsel. As the need arises, directors reserve the right to avail of external advice.	

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
N/A	N/A	N/A

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	Determined by the Board of Directors as recommended by the personnel and compensation committee	Determined by the Chairman of the Board of Directors as recommended by the President & CEO
(2) Variable remuneration	Determined by the Board of Directors as recommended by the personnel and compensation committee	**Performance Bonus Pool**. Determined by the Board of Directors as recommended by the personnel and compensation committee **Individual Grant**. Determined by the Chairman of the Board of Directors as recommended by the President & CEO
(3) Per diem allowance	None	None
(4) Bonus	Determined by the Board of Directors as recommended by the personnel and compensation committee	Determined by the Chairman of the Board of Directors as recommended by the President & CEO
(5) Stock Options and other financial instruments	Determined by the Board of Directors as recommended by the personnel and compensation committee	**Stock Allocation**. Determined by the Board of Directors as recommended by the personnel and compensation committee **Individual Grant**. Determined by the Chairman of the Board of

		Directors as recommended by the President & CEO
(6) Others (specify)	-	-

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	• Market competitive • Pay for performance orientation delivered through annual variable and long term incentive programs	Fixed and variable cash compensation, stock options and benefits	Based on size and scope of role and value of individual contribution to organization
Non-Executive Directors	• Market competitive • In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year	Annual retainer, board meeting fee, committee meeting fee	Sum of annual retainer, board meeting fees, committee meeting fees

Do stockholders have the opportunity to approve the decision on total remuneration(fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Increase in remuneration of non-executive directors (annual retainer, board meeting fee, committee meeting fee)	13 April 2011

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	None	P1,000,000 annually	
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	None	P200,000 for each regular board meeting attended P100,000 for each board committee meeting attended	
(d) Bonuses	None	None	None
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
Total	None	P11,775,000.00	P7,000,000.00

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	None	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations	None	None	None

incurred			
(e) Life Insurance Premium	None	None	None
(f) Hospitalization Plan	None	None	None
(g) Car Plan	None	None	None
(h) Others (Specify)	None	None	None
Total	-	-	-

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
-	None	-	-	-

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
-	None	-

5) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Arturo G. Corpuz Senior Vice President	**P 117,521,000.00**
Raul M Irlanda Senior Vice President	
Emilio Lolita J Tumbocon Senior Vice President	
Jaime E. Ysmael Senior Vice President	
Anna Margarita B. Dy Senior Vice President	

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director(ED)	Non-Executive Director (NED)	Independent Director(ID)				
Executive	1	4	-	Please refer to Item #4 below for more details			
Audit	-	1	2				
Risk	-	1	2				
Nomination	-	2	1				
Personnel and	-	3	1				

Compensation				
Sustainability	1	-	2	
Inspectors of Proxies and Ballots*	-		-	

May not be member of the Board of Directors.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Fernando Zobel de Ayala	04/1999 (as Chairman)	4	3	75	26 years
Member (ED)	Antonino T. Aquino	04/2009	4	4	100	6 years
Vice Chairman	Jaime Augusto Zobel de Ayala	06/1988	4	3	75	27 years
President and CEO	Bernard Vincent O. Dy	04/2014	4	4	100	1 year
Member(NED)	Delfin L. Lazaro	04/2005	4	3	75	10 years

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jaime C. Laya	04/2010	6	6	100	5 years
Member (NED)	Antonino T. Aquino	04/2014	3	3	100	1year
Member (ID)	Rizalina G. Mantaring	04/2014	3	3	100	1 year

Disclose the profile or qualifications of the Audit Committee members. All committee members possess the qualifications and none of the disqualifications required to be elected.

Jaime C. Laya *- Filipino, 75, has served as an Independent Director of ALI since April 2010. He is an Independent Director of publicly listed companies namely GMA Network, Inc., GMA Holdings, Inc. and Manila Water Company, Inc. His other significant positions are: Chairman and President of Philippine Trust Company (Philtrust Bank)., Independent Director of Philippine AXA Life Insurance Co., Inc.; and Trustee of Cultural Center of the Philippines, St. Paul's University – Quezon City, Ayala Foundation, Inc., Escuela Taller de Filipinas Foundation, Inc., Fundación Santiago, and other non-profit, non-stock corporations. He graduated magna cum laude from University of the Philippines in 1957with a degree in B.S.B.A. (Accountancy) and took Management Studies on Industrial Management at the Georgia Institute of Technology in 1960. He later on took his Ph.D. in Financial Management at the Stanford University in 1967.He has served as Minister of the Budget, Minister of Education, Culture and Sports, Governor of the Central Bank of the Philippines, Chairman of the National Commission for Culture and the Arts, and Professor and Dean of Business Administration of the University of the Philippines.*

Antonino T. Aquino *- Filipino, 67, has served as Director of ALI since April 2009. He is also a Director of Manila Water Company, Inc. (MWC), another publicly listed company, since 1999. He was the President of ALI from April 2009 to April 2014, MWC from April 1999 to April 2009, Property Management Corporation from 1989 to 1999. He is a Member of the Multi Sectoral Advisory Board of the Philippine Army since 2014. He was named "Co-Management Man of the Year 2009" by the Management Association of the Philippines for his leadership role in a very successful waterworks privatization and public-private sector partnership. He earned a degree in BS Management and Masters in Business from the Ateneo de Manila University in 1968 and 1975, respectively.*

Rizalina G. Mantaring *- Filipino, 55, has served as an Independent Director of ALI since April 2014. She holds the following position: Country Head for the Sun Life Financial group of companies in the Philippines, President and CEO of the flagship Sun Life of Canada (Philippines) Inc., Director of Sun Life of Canada (Philippines) Inc., Sun Life Financial Plans, Sun Life Asset Management Co. Inc., Sun Life Financial Philippine Holding Co. Inc., Sun Life Grepa*

Financial, Inc. and Grepalife Asset Management Corporation; Independent Director of Microventures Foundation Inc. She is also the Chair of Sun Life Financial-Philippines Foundation, Inc., and a member of the Makati Business Club, Management Association of the Philippines, Financial Executives of the Philippines and Women Corporate Directors Philippines. In 2010, she was selected as one of the 100 Most Outstanding Alumni of the past century by the University of the Philippines College of Engineering. In 2011, she was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance. She is also a recipient of the 2011 CEO EXCEL award given by the International Association of Business Communicators. She is a BS Electrical Engineering, cum laude, graduate of the University of the Philippines. She obtained her MS degree in Computer Science from the State University of New York at Albany.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit and Risk Committee Assists the Board of Directors in the fulfillment of its oversight responsibility relating to the accuracy of the Company's financial statements and the soundness of its financial reporting process, the robustness of its internal control and risk management systems and processes, internal audit activities, the annual independent audit of the financial statements, and compliance with legal and regulatory requirements. The Committee likewise evaluates and/or approves specific matters presented by the Internal Audit Division and external auditor. In addition, the Committee reviews the Company's enterprise-wide risk management process and risk mitigation plans.

(c) Risk Committee *(On 28 August 2014, the Board of Directors approved, confirmed and ratified the appointment of the Chairman and Members of the Risk Committee)*

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Member (ID)	Jaime C. Laya	04/2010	6	6	100	5 years
Member (NED)	Antonino T. Aquino	04/2009	3	3	100	6 years
Chairman (ID)	Rizalina G. Mantaring	04/2014	3	3	100	1 year

(d) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Francis G. Estrada	04/2014	1	1	100	1 year
Member (ED)	Antonino T. Aquino	04/2009	4	4	100	6 years
Member (NED)	Fernando Zobel de Ayala	04/1999	1	3	75	26 years

(e) Personnel and Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Francis G. Estrada	04/2014	2	2	100	1 year
Member (NED)	Fernando Zobel de Ayala	04/1999	2	1	50	26 years
Member (NED)	Jaime Augusto Zobel de Ayala	06/1988	2	1	50	27 years
Member (NED)	Antonino T. Aquino	04/2009	2	1	50	6 years

(f) Related Party Transactions Review Committee *(In accordance with the Company's Related Party Transaction (RPT) Policy, the Audit Committee is constituted as the Related Party Transactions Review Committee. The RPT Policy was approved by the Audit Committee on 11 August 2014 and ratified by the Board of Directors on 28 August 2014.)*

Office	Name	Date of Appointment	No. of Meetings	No. of Meetings	%	Length of Service in the

			Held	Attended		Committee
Member (ID)	Jaime C. Laya	04/2010	6	6	100	5 years
Member (NED)	Antonino T. Aquino	04/2009	3	3	100	6 years
Chairman (ID)	Rizalina G. Mantaring	04/2014	3	3	100	1 year

(g) Sustainability Committee

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jaime C. Laya	04/2010	2	1	50	5 years
Member (ID)	Rizalina G. Mantaring	04/2014	2	2	100	1 year
Member (ED)	Bernard Vincent O. Dy	04/2014	2	2	100	1 year

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Bernard Vincent O. Dy, (Member)	Mr. Dy replaced Mr. Oscar S. Reyes, whose term as an independent director of the Company expired on April 7, 2014.
Audit	Rizalina G. Mantaring (Member) Antonino T. Aquino (Member)	Ms. Mantaring and Mr. Aquino replaced Ms. Mercedita S. Nolledo and Mr. Oscar S. Reyes, whose terms as non-executive director and independent director expired on April 7, 2014.
Risk	n/a	n/a
Nomination	Francis G. Estrada (Chairman)	Mr. Estrada replaced Mr. Oscar S. Reyes, whose term as an independent director of the Company expired on April 7, 2014.
Personnel and Compensation	Antonino T. Aquino (Member)	Mr. Aquino replaced Ms. Mercedita S. Nolledo, whose term as non-executive expired on April 7, 2014.
Sustainability	Rizalina G. Mantaring (Member) Bernard Vincent O. Dy (Member)	Ms. Mantaring and Mr. Dy replaced Messrs. Oscar S. Reyes and Antonino T. Aquino, whose terms as independent director and executive director expired on April 7, 2014.
Sustainability	n/a	n/a

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	1. Acquisition of shares, land and building 2. Availment of real estate mortgage to secure a bank loan 3. Approval of various project launches 4. Approval of the incorporation of new company 5. Participation in the bidding of the South Integrated Transport System project	
Audit	Assisted the Board of Directors in the fulfillment of its oversight responsibility relating to the accuracy of the Company's	• Reviewed and approved the 2014 Audited Financial Statements of the Company as prepared by the external auditors Sycip,

	financial statements and the soundness of its financial reporting process, the robustness of its internal control and risk management systems and processes, internal audit activities, the annual independent audit of the financial statements, and compliance with legal and regulatory requirements.	Gorres, Velayo& Co. (SGV), as well as the quarterly unaudited financial statements. • The Committee gave its recommendation on the re-appointment of SGV as the Company's external auditors for 2015 and the corresponding audit fee structure. • The Committee likewise reviewed and/or approved specific matters presented by the Internal Audit Division and SGV. In addition, the Committee reviewed and discussed the Company's enterprise-wide risk management process and risk mitigation plans. • In 2014, the Board, through the Audit and Risk Committee conducted a thorough review of the Company's operational methods, financials controls, compliance procedures and risk management systems. It was determined that all internal processes remain satisfactory and in accordance with best business practices.
Nomination	Implemented and maintained a process which ensures that all directors nominated for election at the Annual Stockholders' Meeting have all the qualifications and none of the disqualifications for directors as stated in the By-Laws and the Manual of Corporate Governance.	• Reviewed the qualifications of key executives prior to hiring, re-assignment/movement, or promotion.
Personnel and Compensation Committee	Established a formal and transparent process for developing and reviewing policies related to the remuneration of corporate directors, officers and other key personnel.	• Approved the grant of the 2014 performance bonus, Executive Stock Ownership Plan (ESOWN) and Executive Housing Privilege (EHP) to qualified officers of the Company (Approved on Feb 11, 2015)
Sustainability	Provided oversight to the sustainability initiatives of the Company, guides policymaking in the Company's sustainability program, and ensures full Company support and alignment with the Ayala Group of Companies' commitment to Sustainable Development.	• Expanded the Company's sustainability program to include disaster risk reduction in land acquisitions, pedestrian/transport connectivity, storm water and ecosystem sensitive design as well as emergency preparedness. • Approved the preparation of an integrated report based on the Global Reporting Initiative - G4 Sustainability Reporting Guidelines.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed

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

RISK MANAGEMENT SYSTEM

1) Disclose the following:

   (a) Overall risk management philosophy of the company;

   Risk is inherent in our business. The identification, monitoring and effective mitigation of these risks are critical in delivering the Company's business objectives and in creating sustainable shareholder value.

   (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

   The Risk Committee is expected, through the provision of checks and balances, to support the corporate governance process. Specifically, it shall be responsible for the review of the adequacy of the Enterprise Risk Management framework/process of the Corporation. The Board, thru the Committee, provides oversight by providing continuous input, evaluation and feedback on the effectiveness of the risk management process.

   As stated in the report of the Audit and Rick Committee to the Board of Directors and published in the Company's 2014 Annual Report, the Audit and Risk Committee has reviewed and discussed the adequacy of the company's enterprise-wide risk management process, including the major risk exposures, the related risk mitigation efforts and initiatives, and the status of risk mitigation plans. The review was undertaken in the context that management is primarily responsible for the risk management process.

   (c) Period covered by the review;

   Quarterly

   (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness;

   The risk management system is reviewed on a quarterly basis.

   (e) Where no review was conducted during the year, an explanation why not.

   Not applicable.

2) Risk Policy

   (a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The Company has instituted a formal enterprise-wide risk management system, firmly embedded into its corporate planning process, which constantly seeks to identify, assess and address all the risks inherent and external to the business that could potentially affect the performance of the Company.

The following risks are ranked according to their potential impact to the Company in terms of financial cost, brand reputation, and likelihood of occurrence.

Risk Exposure	Risk Management Policy	Objective
Government / Political Risk	1. Risks faced by ALI and its subsidiaries and affiliates shall be identified, monitored and managed effectively and to the best of our ability at all times. 2. Enterprise Risk Management will be embedded in the Company's critical business activities, functions and processes. 3. A robust risk assessment system, methodology and reporting structure will be used with all risk issues identified, analyzed, assessed, and monitored in a consistent manner. 4. The performance of our Enterprise-wide Risk Management initiatives will be regularly monitored, reviewed and reported.	Enterprise Risk Management is also an integral element of overall corporate governance and will provide the solid platform that will enable the Company to achieve the following objectives: • To establish sustainable competitive advantage, • To optimize its risk management cost, and • To pursue strategic growth opportunities with confidence
Organizational Risk (People, Processes, Systems & Performance Metrics)		
Project Execution / Delivery Risk(Time, Cost, Quality)		
Product / Service Quality and Safety Risk		
Risk of Being Marginalized by Competition		

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The following risks are ranked according to their potential impact to the Company in terms of financial cost, brand reputation, and likelihood of occurrence.

Risk Exposure	Risk Management Policy	Objective
<u>Residential:</u> Resiliency and preparedness to respond to a market downturn	Risk management policy encompasses key risks across the company, as well as group-specific risk *(Refer to #2. Risk Policy, (a)Company above)*	Enterprise Risk Management is also an integral element of overall corporate governance and will provide the solid platform that will enable the Company to achieve the following objectives: • To establish sustainable competitive advantage, • To optimize its risk management cost, and • To pursue strategic growth opportunities with confidence
<u>Residential:</u> Financial and Credit Risk		
<u>Residential</u>: Ability of back-end / support processes to keep pace with scale and scope of project delivery		
<u>Leasing:</u> Changing Market Needs		
<u>Leasing</u>: Attracting and retaining merchants, tenants and anchors		
Strategic Land banking Group: Not being able to build land bank		

Strategic Land banking Group: Delays / Inability to use land post acquisition		
Construction: Contractor / Supplier Risk		
Construction: Legal / Regulatory Risk		
Property Management: Failure to maintain standard or quality of service/operations in managed properties		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
The Company's Corporate Governance Policies follow best practices, specifically with respect to the equitable treatment of all shareholders – particularly the minority. While decisions by the controlling shareholders' are sometimes made, these are done in consultation with the majority of the shareholders. Our sound corporate governance and risk management practices are in place to ensure that all shareholders' views and concerns are addressed and treated fairly.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Government / Political Risk	• % of Permits acquired and renewed on time • LGU Relationship indicators	• A corporate framework for managing relationships exists • Delineation of SBU-driven and corporate driven government and political initiatives • Strategic roles and tactical roles on relationship management are defined
Organizational Risk (People, Processes, Systems & Performance Metrics)	• Turnover / Attrition rates • Percentage of key positions vacant • Resolution of Remedy tickets • Employee Engagement Surveys	• Manpower build-up to cater to SBU needs • Job specific boot camps • Periodic review of compensation package to ensure competitiveness • Employee engagement programs in place
Project Execution / Delivery Risk	• Time, Cost and quality acceptable thresholds	• Enhancing Project Execution Plans • Design management programs • Partnering agreement programs • Non-negotiable items thru Tech Council • Contracts Management including monitoring of performance metrics
Product / Service Quality and Safety Risk	• Compliance rates to H&S regulations • S, H&S Incident Reports	• Security and safety standards • Incident reporting and follow up process • EHS programs in place

Risk of Being Marginalized by Competition	• GLA monitoring vs. competitors vs. internal targets • Dev portfolio monitoring vs. competitors vs. internal targets	• Mixed-use vs. stand alone buildings • Launch schedules subject to minimum take-ups and "red-flag" limits • Initiatives to drive down costs and rental rates exist

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Residential: Resiliency and preparedness to respond to a market downturn	• Contingent Liability metrics • Sales velocity thresholds • Ageing of take-ups	• Pre-sale strategy to reduce uncertainty on inventory levels • Monitoring of key indicators such as contingent liabilities, sales velocity and ageing of take up rate • Monitoring of AR through ageing reports • Running of scenarios (corporate and project level) to stress-test impact of market downcycles on the balance sheet
Residential: Financial and Credit Risk	• AR Levels • Mortgage rates • AR Ageing	• Credit Investigations are performed on customers before granting of payment terms • Monitoring of AR through ageing reports • Process in place for following up on collections
Residential: Ability of back-end / support processes to keep pace with scale and scope of project delivery	• Resolution of remedy tickets • % of backlog items	• Document checklist to ensure that sales documentation is complete • Implementation of education programme for sellers to impart know-how on sales documentation • Service Level Agreement (SLA) for outsourced services
Leasing: Changing Market Needs	• Growth or contraction indicators (internal) • BPAP forecasts	• Competitive scan to understand competitors' offerings • Account management structure – ongoing engagement of tenants on their current and future business needs; Project team activity/sharing • Addressing specifications through flexibility in design
Leasing: Attracting and retaining merchants, tenants and anchors	• Lease out thresholds • Occupancy Rates • Occupancy Costs	• Pipeline of tenants to backfill vacancies, if any • Quarterly pipeline report • Lease and payment schemes to assist tenants • Tenant feedback mechanisms at property level, with trending and analysis across properties
Strategic Land banking Group: Not being able to build land bank	• Targets vs. actual land acquired	• PD teams in SBUs actively sources for land opportunities • All land opportunities are centrally controlled and coordinated to avoid duplication of efforts by SBUs • Centrally-driven land acquisition pricing model
Strategic Land banking Group: Delays / Inability to use land post acquisition	• Unusable land bank vs. Total land bank (size and value)	• Extensive Legal and technical due diligence is done before acquisition • Systematic tracking of unresolved issues and problem • Ensuring early assignment of responsibilities for new land assets in inventory

Construction: Contractor / Supplier Risk	• Accredited contractors / suppliers database monitoring • Contractors / suppliers performance metrics	• Programme to develop and widen contractor base, especially specialty contractors, in the provinces. • Strategic alliances and partnerships with main contractors • Monitoring of concentration risk
Construction: Legal / Regulatory Risk	• Monitoring of regulatory sanctions and thresholds	• Audits conducted to ensure compliance to legal, regulatory requirements (i.e. compliance audits, CQC Internal & Surveillance audits) • Monitoring of changes to laws and regulations • Contractual Liability established in contracts
Property Management: Failure to maintain standard or quality of service/operations in managed properties	• Resolution % vs. Pending issues • Performance evaluation reports	• Service Level Agreement – which includes standards of operations, feedback, incident reporting, etc • Monitoring of customer complaints and satisfaction • Operational monitoring on performance of properties

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	**Control Mechanism**	**Details of its Functions**
Audit Committee and Risk Committee	• Update on the Quarterly company's risk profile and status thru the report of the company's Chief Risk Officer • Risk-based audits conducted by the company's Internal Audit group and reported to Committee on a quarterly basis	• Ensure that an overall set of risk management policies and procedures exist for the Corporation. • Review the adequacy of the Corporation's enterprise risk management framework/process. The Board, thru the Committee, provides oversight by providing continuous input, evaluation and feedback on the effectiveness of the risk management process. • Review the results of the annual risk assessment done by the designated Chief Risk Officer (CRO). The report shall include the identified risks that impact on the Corporation and the corresponding measures in addressing such risks. • Evaluate the risk assessment report submitted by the CRO on a periodic basis. The report may include existing and emerging risks identified with the Corporation and its subsidiaries, and the related risk mitigation strategies and action plans of management. • Monitor the risk management activities of the Corporation and evaluate the effectiveness of the risk mitigation strategies and action plans, with the assistance of the internal auditors. • Meet periodically with Management to discuss the Committee's observations and

		evaluation on its risk management activities.

F. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;

The Board establishes the vision, strategic objectives, key policies and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating management's performance. The Board also ensures the adequacy of internal controls and risk management practices, accuracy and reliability of financial reporting, and compliance with applicable laws and regulations.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee of ALI submits to the Board of Directors (BOD) an annual report on the Committee's review of the effectiveness of the internal control system of the Company. The same report is included in the Company's Annual Report.

(c) Period covered by the review;

The period covered by the review is one year.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and

Based on annual risk assessments approved by the Audit Committee, the Internal Audit Division (IAD) conducts risk-based audit projects to verify the effectiveness and efficiency of the process under review, determine compliance with applicable internal policies and laws and regulations, and provide recommendations for improvement. As the audit projects are completed, IAD presents to the Audit Committee the results of the engagements, usually on a quarterly basis.

(e) Where no review was conducted during the year, an explanation why not.

The independent review of the Company's internal control system by the Internal Audit Division (IAD) of ALI is based on an annual risk assessment and the results of such activity are included in the annual strategic audit plan of the ALI IAD. The results of the audits conducted by ALI IAD are presented to the Audit Committee on a quarterly basis. Areas not covered by ALI IAD are considered areas of lesser risks to the Company and therefore do not form part of the priority areas of ALI IAD.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Assurance	All processes within the ALI group of companies	Primarily carried out by the Internal Audit Division (IAD) but complemented by outsourced third parties when needed	Leovigildo D. Abot	Quarterly reporting process to the Audit Committee of ALI
Consulting	As required, based on the needs/requirements of the organization	Primarily carried out by the Internal Audit Division (IAD) but complemented by outsourced third parties when needed	Leovigildo D. Abot	At the end of the consulting engagement

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

Yes, approval from the Audit Committee is required.

(c) Discuss the internal auditor's reporting relationship with the Audit Committee. Does the internal auditor have direct and unfettered access to the board of directors and the Audit Committee and to all records, properties and personnel?

The Internal Audit Division (IAD), headed by Leovigildo D. Abot as Chief Audit Executive (CAE), reports to the Audit Committee of the Board. The IAD provides independent and objective assurance and advisory services to the Company. Through the Audit Committee, the IAD assists the Board in the discharge of its duties and responsibilities as provided for in the SEC's 2014 Revised Code of Corporate Governance.

The IAD has a Charter that has been approved by the Audit Committee. This Charter describes the mission, independence and objectivity, scope and responsibilities, authority, accountability and standards of the IAD including direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel of the Company.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm)and the reason/s for them.

Name of Audit Staff	Reason
Salvador C. Guarino, Jr.	Joined an independent auditing/ consulting firm to assume higher position

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	The IAD prepares and presents to the ARC an annual Audit Plan. The IAD executes and reports to the ARC the results of its engagement projects on a quarterly basis. Likewise, at the end of the reporting year, ALI CAE reports to the AUDIT COMMITTEE the performance of the IAD during the past year.
Issues[5]	
Findings[6]	
Examination Trends	

The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) *Preparation of an audit plan inclusive of a timeline and milestones;*
2) *Conduct of examination based on the plan;*
3) *Evaluation of the progress in the implementation of the plan;*
4) *Documentation of issues and findings as a result of the examination;*
5) *Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;*
6) *Conduct of the foregoing procedures on a regular basis.*

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Each SBU or subsidiary of ALI has prepared documented policies and procedures that govern its operations. Examples include policies and procedures for financial accounting, human resource administration, information technology, code of ethics/code of conduct, whistle-blowing, AMLA compliance, etc.	These policies and procedures are observed and implemented.

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

[5] *"Issues" are compliance matters that arise from adopting different interpretations.*
[6] *"Findings" are those with concrete basis under the company's policies and rules.*

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
The Charter of IAD states: The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude. To maintain objectivity, the IAD is not involved in day-to-day control procedures. Instead, each ALI subsidiary or strategic business unit is responsible for their own internal control and efficiency. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. The CAE will confirm to the Board through the Committee, at least annually, the organizational independence of the internal audit activity.	• We schedule one-on-one meetings and site visits to our various developments separately for each brokerage house • As a policy, we do not provide profit guidance and allow analysts to generate their own forecasts and estimates based on our disclosures, analyst briefings, and operating stats that we make readily available • We provide the same information to all research analysts, financial institutions, and fund managers	Underwriting: • Securities issued to the public are registered with the SEC • Conduct of due diligence review by investment bank • Underwriting Commitment subject to bank approval • Pricing of securities are subject to auction or book building process • Securities issued are held by a trustee in behalf of the investing public	Rating • Conduct of due diligence review

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Chairman, the CEO and Compliance Officer of the Company will attest to the Company's compliance with the SEC Code of Corporate Governance.

The Board of Directors (led by the Chairman), Management, Officers and employees of Ayala Land, Inc. (led by the President / CEO) commit themselves to the principles and best practices of governance contained in our Manual of Corporate Governance as a guide in the attainment of its corporate goals. The Corporation shall make a continuing effort to create awareness of good corporate governance within the organization. At the same time, the entire organization declares its continuing commitment to the Vision statement and corporate values of Ayala Land, Inc.

The Board of Directors is the supreme authority in matters of governance and managing the regular and ordinary business of the Corporation. Within their chartered authority, the directors acting as a board have the fullest powers to regulate the concerns of the Corporation according to their best judgment.

G. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	• The Company recognizes the significance of customer contributions to its success. We are unrelenting towards further strengthening the trust and confidence of our customers by constantly ensuring on-time delivery of best-in-class products and services.	• We continuously sharpen customer focus and accountability and have considerably improved our service levels across all customer-facing units through dedicated service and relationship management teams.
Supplier/contractor selection practice	• The Company recognizes the rights of all our business partners and we strive to forge long-term and mutually-beneficial relationships with them through impartial dealings and adherence to the highest level of moral and ethical conduct. • We grant equal opportunities to, and promote fair and open competition among vendors and trade partners by encouraging the highest level of productivity, efficiency, quality, and cost-competitiveness	• We accredit suppliers who share the same vision as the Company along these lines, with preference for those who adopt a green mindset under our greening the supply chain campaign
Environmentally friendly value-chain	• We strongly adhere to best sustainable practices in the delivery of our products and services.	• We have embedded sustainable practices in our day-to-day operations, including partnering and accrediting business partners who adhere to the same environmental sustainable philosophies and practices.
Community interaction	• We are dedicated to improve the quality of life not only of our customers but also of the families and people in the communities that surround our developments and society as a whole.	• We provide livelihood programs, education and trainings to the communities affected by our developments.
Anti-corruption programmes and procedures?	• We consistently work hand in hand with the government, both at the national and local levels, to address various environmental and social issues. • We constantly seek to partner with the public sector in developing business solutions, initiatives, and infrastructure platforms that may serve as catalysts for social progress and contribute to raising the standard of living of people in the communities we serve and develop.	• We support the government's anti-money laundering campaign and other laws by complying with all the rules and regulations imposed by the PSE, SEC, PDEx, BSP and other government institutions
Safeguarding creditors' rights	• We acknowledge the rights of creditors as stakeholders and are committed to honoring our contracted financial obligations and	• We present creditors with readily available information required to evaluate the Company's credit standing.

	any financial covenants these may contain.	

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

A comprehensive Sustainability Report will be released online in September 2015. This new approach will allow Ayala Land to provide more focus on its discussion of its sustainability practices under the Global Reporting Initiative (GRI) standards. This new approach allows the Corporation to address our different set of readers and stakeholders in a more strategic and focused manner, and to communicate our business results more effectively.

The Corporation is one of the first in the Philippines to benchmark on the metrics of the Global Reporting Initiative (GRI) and has been publishing an annual sustainability report since 2007. The Corporation adheres to its four focus areas – Site Resilience, Pedestrian and Transit Connectivity, Contribution to Local Economy/Employment and Eco-efficiency.

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

In 2014, the Company has established its central Occupational Safety and Health (OSH) Committee to enhance Ayala Land's safety program at a brand level. The Committee was primarily intended to ensure both regulatory compliance and improvement of the Company's performance on safety, as well as protecting the health of its most valuable asset–its people.

As a major start, an overall Ayala Land Corporate OSH Program has been drafted and cascaded for development to the Company's subsidiaries for program alignment and standardization. This OSH program was developed in accordance with the framework of occupational safety and health management which the Department of Labor and Employment (DOLE) of the Philippines through its Bureau of Working Conditions (BWC) is regulating and driving.

To achieve the Company's objectives in safety and health management, the Company's management shall ensure that programs and actions are in place and are being done religiously via the following;

- *Ensuring that all employees and engaged workers (including contracted workers) receive proper orientation and needed training on work and workplace safety before and during their employment or service engagement and as deemed necessary, based on the nature or gravity of the hazard/s in the workplace or activity.*

- *Putting in place a continuing communications program to keep the level of awareness on occupational safety and health of all employees and contracted workers high, eliminating complacency in job execution and keeping abreast with latest development and learning related to preventing occupational injury and illness and enhancing wellness promotion.*

- *Providing a system to properly assess, screen and detect workers psycho-physical state, capability and limitations in performing work safely and efficiently before employment or work engagement as well as to effectively monitor employees health and well being with respect to work and workplace hazard or exposures.*

- *Establishing and consistently enforcing a system of motivating positive attitude and recognizing proper behavior towards contributing to safe work conduct, good health protection and maintenance in all workplaces as well as penalizing improper work behavior or negligent action resulting to occupational injury and/or illness.*

- *Ensuring that all workplace hazards are proactively and continuously identified and that needed reasonable corrective measures are In place to prevent or control physical, biological, ergonomic and chemical hazards existing in all work areas or those which are developed as a result of operations or day-*

to-day activities.

To further promote and effectively ensure adherence to the belief and aspirations of the Company towards occupational safety and health, management shall integrate accident prevention and occupational health maintenance in evaluating the performance of both business and support units. A Safety Council was also established in 2013. OSH performance shall be a regular item to be monitored and reported in the Risk Committee meetings and a regular agenda item in the regular Safety Council meetings.

For our construction projects, we mandate the use of personal protective equipment, safety glasses, and dust masks among construction personnel. We have a detailed Emergency Response Plan in place and regular drills for fire, earthquake, and emergency are conducted.

We also urge our employees to undergo annual physical examinations and regular flu, cervical, and pneumonia vaccinations. Employees receive health risk assessments, timely information on prevention of serious diseases.

We also provide extensive health insurance coverage for both employees and eligible family members (inpatient, outpatient, disability and invalidity), medical allowances, retirement provision and leave entitlements such as sick, vacation and parental leaves.. We have our clinic with a company nurse and doctor available to employees.

All matters related to the health, safety, and welfare of employees, including training and development programs and rewards and compensation are fully discussed in the Sustainability Report which will be released in September 2015.

(b) Show data relating to health, safety and welfare of its employees.

ALI's construction arm, MDC implemented the Total Safety & Quality Culture Building Program in 2014. Major initiatives were the conduct of the DOLE mandated 8-hr Site Safety Orientation, conduct of the Safety and Quality Summit for Project Managers and Project In-charge, conduct of the 40-hr Construction Operation Safety & Health (COSH) Training, launch of the EHS Summit attended by Subcon Principals to cascade MDC's Safety Policies, implementation of the Safety Management By Walking Around and Pre-Activity Training and Orientation on Safety ((PATOS).

MDC recorded a total of 1.02 minor total recordable incident rate, 0.04 major total recordable incident rate, 94,401,248 safe man-hours for 2014. ALI's Property Management arm, APMC, recorded a zero incidence of work-related injury/illness as reported to DOLE.

Provided are the total Parental leaves taken by ALI employees in 2014

Parental Leaves		**No. of Employees that Took Parental Leave**		**No. of Employees who Returned to Work**		**The Return to Work Rates**	
	No. of Employees entitled to Parental Leave	**MALE**	**FEMALE**	**MALE**	**FEMALE**	**MALE**	**FEMALE**
AYALA LAND	498	3	9	3	9	100%	100%
ALVEO LAND	118	3	0	3	0	100%	-
AVIDA LAND	242	0	0	0	0	-	-
MDC	0	-	-	-	-	-	-
AMAIA LAND	216	2	4	2	3	100%	75%
BELLA VITA	28	0	0	0	0	-	-
APMC	319	12	3	12	3	100%	100%
EL NIDO RESORTS	333	6	5	6	5	100%	100%
SEDA HOTELS	151	1	1	1	1	100%	100%
HOLIDAY INN	99	0	2	0	2	-	100%
FAIRMONT	293	8	8	8	8	100%	100%
INTERCON	200	1	2	1	2	100%	100%

CEBU MARRIOT	166	2	3	2	3	100%	100%
TOTAL	**2663**	**38**	**37**	**38**	**36**	**100%**	**97%**

(c) State the company's training and development programs for its employees. Show the data.

Training sessions and activities are designed to enhance team performance, boost knowledge in sustainability practices, address new issues and challenges, and foster camaraderie.

- *Ayala Land conducted a total of 6,440 training hours translating to 42 training sessions.*
- *MDC conducted a total of 14,153 training hours translating to 1,261 training sessions for the different Programs such as level-based Leadership Development Program, Development program for Critical Positions, Skilled Workers TESDA NC II Certification, Safety & Quality Culture Building Programs and other Technical & Competency-based training.*
- *APMC registered a total of 15,426 training hours composed of 109 training sessions in under various service improvement programs.*

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

The Company implements an Employee Stock Ownership (ESOWN) Plan to introduce into the Company's performance and rewards systems a long-term perspective to complement the short-term components and mechanisms that are in place. This is meant to encourage decision-makers to balance short-term with long-term goals and objectives.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation.

All employees, third-party business partners, or other stakeholders are encouraged and empowered to report their concerns should they suspect or become aware of any illegal or unethical activities. This can be done through the Ayala Land Business Integrity Channels.

The Company's business integrity channels are communication facilities that enable individuals to freely report fraud, violations of laws, rules, and regulations, or misconduct to people of authority without fear of retaliation.

These secured channels provide concerned individuals all possible means to come forward and report their concerns either through electronic mail, telephone, fax, post mail, website or face-to-face discussions.

The ultimate goal is to give employees, third-party business partners, and other stakeholders every possible means for coming forward, so that they report information to top management or to the Board of Directors, rather than turning to the media.

The Ayala Land Business Integrity Channels shall be spearheaded by the Ayala Land Ethics Committee. The Ethics Committee, which has a direct reporting line to the Audit Committee, shall be chaired by the Head of Human Resource Division, and will be composed of selected members from the Internal Audit Division (IAD), Risk Management Division, and Ayala Group Legal Counsel. The committee evaluates and resolves concerns received via the business integrity channels to ensure just and prompt resolution. The Ayala Land Business Integrity Channels shall receive all reports from whistleblowers about the following:

- *Conflicts of Interests*
- *Misconduct or Policy Violations*
- *Theft, Fraud or Misappropriation*
- *Falsification of Documents*
- *Financial Reporting Concerns*
- *Retaliation Complaints*

The Ayala Land Business Integrity Channels shall accept reports made anonymously. The whistleblower who files a report may choose to provide the manner by which he can be contacted without jeopardizing his anonymity.

Such means shall include, but is not limited to using an e-mail address, or a mobile number, among others. If the whistleblower chooses to identify himself, the recipient of the report from any of the Reporting Channels shall ask the whistleblower if he is willing to be identified in the course of the investigation.

After the investigation has been completed, and the report is substantiated, the Committee shall inform the Respondent's Company HRD about the report for appropriate action. The Respondent's Company HRD shall coordinate with the Committee in conducting full investigation in accordance with applicable Company policies and procedures.

The Committee shall ensure confidentiality of information. It shall treat all reports, including the identity of the whistleblower, confidential, unless compelled by law to reveal such information. By reporting through any of the Ayala Land Business Integrity Channels, a whistleblower is protected from any retaliation against him, provided that the report is made in good faith.

Cases of retaliation against any whistleblower may be reported through any of the Ayala Land Integrity Business Channels. The retaliation complaint shall be dealt with in accordance with this policy, or other relevant Company policies and procedures, and any applicable laws.

H. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more

As of January 31, 2015

Shareholder	Number of Shares	Percent	Beneficial Owner
Ayala Corporation*	6,934,509,515 common shares 12,163,180,640 preferred shares	24.99658% 43.84419%	Ayala Corporation
PCD Nominee Corporation** (Non-Filipino)	2,338,961,627 common shares	8.4312%	PCD participants acting for themselves of for their customers***
PCD Nominee Corporation**	1,964,550,511 common shares	7.08155%	Aberdeen Asset Management Asia Limited****
PCD Nominee Corporation**	1,560,285,334 common shares	5.6243%	Aberdeen Asset Managers Limited****
PCD Nominee Corporation** (Filipino)	1,582,426,550 common shares	5.7041%	PCD participants acting for themselves of for their customers***

**Ayala Corporation ("AC") is the parent of the Company.*
***PCD is not related to the Company*
****Each beneficial owner of the shares through a PCD participant is the beneficial owner to the extent of the number of shares in his/her account with the PCD participant. Out of the 3,921,388,177 common shares in the name of PCD Nominee account with the PCD Corporation, 1,942,832,804 or 7.0033% of the voting stocks for the account of Deutsche Bank Manila (DB), The Company has no record relating to the power to decide how the shares held by PCVD are voted. As advised to the Company, none of DB or any of its customers beneficially owns more than 5% of the Company's common shares.*
*****Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited (collectively, Aberdeen") are the clients of a participant of PCD. Aberdeen has the power to decide how their shares in the Company are to be voted.*

As of April 6, 2015

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Fernando Zobel de Ayala	12,000	-	0.00004
Jaime Augusto Zobel de Ayala	12,000	-	0.00004
Bernard Vincent O. Dy	10	9,009,787	0.06

Antonino T. Aquino	4,297,165	16,008,061	0.14
Delfin L. Lazaro	0	1	0
Vincent Y. Tan	4,732,120	9,160,151	0.1
Francis G. Estrada	1	0	0
Jaime C. Laya	10,000	0	0
Rizalina G. Mantaring	1	0	0
Arturo G. Corpuz	735,449	4,784,697	0.01990
Raul M. Irlanda	180	790,827	0.00285
Emilio Lolito J. Tumbocon	6,206,594	2,628,875	0.03185
Jaime E. Ysmael	144,000	8,113,729	0.02977
Dante M. Abando	965,628	1,453,136	0.00872
Leovigildo D. Abot	96,019	267,170	0.00131
Augusto D. Bengzon	0	1,816,268	0.00655
Aniceto V. Bisnar, Jr.	96,470	1,006,449	0.00398
Manny A. Blas II	481,928	867,583	0.00486
Ma. Corazon G. Dizon	0	949,636	0.00342
Anna Ma. Margarita B. Dy	0	4,693,853	0.01692
Steven J. Dy	125,610	907,259	0.00372
Jose Emmanuel H. Jalandoni	0	4,066,632	0.01466
Jose Juan Z. Jugo	0	269,151	0.00097
Laurent P. Lamasuta	1,977,234	2,072,841	0.02759
Robert S. Lao	0	561,717	0.00202
Michael Alexis C. Legaspi	0	3,352,401	0.01208
Joselito N. Luna	12,794	3,555,531	0.01286
Christopher B. Maglanoc	0	370,900	0.00188
Romeo T Menpin, Jr.	0	210,268	0.00099
William Thomas F. Mirasol	0	171,810	0.00062
Rodelito J. Ocampo	7,022	1,091,653	0.00396
Angelica L. Salvador	29,431	789,144	0.00295
Ma. Rowena Victoria M. Tomeldan	267,799	1,025,569	0.00466
Solomon M. Hermosura	480	0	0.00000
June Vee D. Monteclaro-Navarro	0	54,118	0.00020
Nimfa Ambrosia L. Perez-Paras	0	0	0.00000
Merceditas S. Nolledo	15,228	0	0.00000
TOTAL	**20,416,703**	**81,207,879**	**0.69248**

2) Does the Annual Report disclose the following:

Key risks	Yes
Corporate objectives	Yes
Financial performance indicators	Yes
Non-financial performance indicators	Yes
Dividend policy	Yes
Details of whistle-blowing policy	Yes
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	No, this is disclosed in the Definitive Information Statement.

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-Audit Fee
Sycip, Gorres, Velayo & Co. (SGV& Co.)	P19.01 million	P0.13*
**SGV fees for the validation of stockholders' votes during the annual stockholders' meetings*		

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

We address the various information requirements of the investing public through our Investor Communications and Compliance Division, which reports directly to the Chief Finance Officer (CFO).

- ***Quarterly Briefings and One-on-one Meetings***
  We conduct quarterly briefings for both equity and credit analysts and communicate directly with institutional and individual investors through one-on-one meetings, conference calls and written communications such as electronic mail. Analysts and investors who are unable to attend our quarterly briefings in person are also invited to participate through a teleconference facility. We also have a continuing program of enhancing our Investor Relations website, which includes the podcasts of our quarterly briefings.

- ***Property Tours and Site Visits***
  Ayala Land welcomes analysts and investors to have an actual visit of various Ayala Land property developments on a scheduled basis.

- ***Roadshows and Conferences***
  Throughout the year, our CEO, CFO, Head of Investor Communications and Compliance, and other members of senior management (where appropriate) make themselves available for meetings with institutional investors through pre-arranged company visits, teleconferences, analyst briefings and attendance in local and international investor conferences, corporate days and non-deal roadshows. In 2014, senior management met with institutional investors and fund managers in 24 conferences and corporate day events held in Manila, Singapore, Hong Kong, Kuala Lumpur, Tokyo, Sydney, London, Edinburgh, Paris, Frankfurt, Boston, San Francisco and New York.

- ***Company Website***
  All information on Corporate Governance and Investor Relations related matters are available online at ir.ayalaland.com.ph.

- ***Media Briefings***
  Our Corporate Communications Division engages the media on a regular basis through multiple channels such as media conferences, briefings, news releases, fact sheets, social gatherings, one-on-one meetings and through third-party consultants. We occasionally support media initiated causes and events that are aligned with our principles and advocacies.

5) Date of release of audited financial report:

The Audit Committee is convened within 6 weeks after the reference year to discuss and evaluate the Company's financial statements. An annual analyst briefing for the full year results of the reference year is likewise conducted and disclosed to the SEC, PSE and PDEx in the same day.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	**Yes**
Financial statements/reports (current and prior years)	**Yes**

Materials provided in briefings to analysts and media	**Yes**
Shareholding structure	**Yes**
Group corporate structure	**Yes**
Downloadable annual report	**Yes**
Notice of AGM and/or EGM	**Yes**
Company's constitution (company's by-laws, memorandum and articles of association)	**Yes**

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) **Disclosure of RPT**

RPT	Relationship	Nature	Value (In thousands)
Please refer to Note 25. Related Party Transactions of the Audited Financial Statements			

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

In its regular conduct of business, the Group has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Transactions with related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The details of these RPTs are disclosed annually in the notes accompanying the Company's Annual Audited Financial Statements.

In addition, employees of Ayala Land are expected to promote primarily the best interest of the organization and its stakeholders. Annually, employees are required to properly disclose their business interests. For the management team, adherence to ALI's Insider Trading Policy is strictly enforced to continue to uphold transparency and practice corporate governance in the organization.

I. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority

A quorum is achieved if over one-half of the stock is present or represented except in cases where the Corporation Law requires a greater number.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	By poll

Description	Voting shall be by ballot or through electronic voting and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

All Stockholders' Rights are consistent with what is indicated in the Corporation Code.

Dividends:

Historical dividends shown below started when the Company shifted to a payout-based dividend policy in 2009 (from a fixed dividend income policy).

Common Shares

Declaration Date	Record Date	Payment Date
May 12, 2009	June 11, 2009	June 30, 2009
November 19, 2009	December 18, 2009	January 19, 2010
June 1, 2010	June 30, 2010	July 23, 2010
November 30, 2010	December 14, 2010	January 11, 2011
Feb. 24, 2011	March 23, 2011	April 15, 2011
Aug. 26, 2011	Sept. 20, 2011	Oct. 5, 2011
February 20, 2012	March 7, 2012	March 27, 2012
August 24, 2012	September 17, 2012	October 8, 2012
February 19, 2013	March 5, 2013	March 19, 2013
Aug. 22, 2013	Sept. 6, 2013	Sept. 20, 2013
Feb. 21, 2014	March 7, 2014	March 21, 2014
Aug 28 2014	Sep 11 2014	Sep 26 2014
Feb 20 2015	Mar 06 2015	Mar 20 2015

Preferred Shares

Declaration Date	Record Date	Payment Date
Feb. 19, 2013	June 14, 2013	July 1, 2013
Feb. 21, 2014	June 16, 2014	June 30, 2014

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Open Forum	Q&A portion
Motion to second	Stockholders are given the right to move the motion and a corresponding second of the motion
Customer Service Booth	A customer service booth was made available to encourage shareholders to air their comments, feedback and other concerns.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding

(kindly refer also to the shareholders' rights enumerated in Section A, 1, b)

a. Amendments to the company's constitution:
These By-Laws may be amended, repealed or modified by the affirmative vote of the stockholders owning or representing a majority of the outstanding capital stock and majority of the Board of Directors at any regular meeting or at any special meeting duly called for the purpose; Provided, however, that by the affirmative vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock, the power and authority to amend or repeal these By-Laws or adopt new By-Laws may be delegated to the Board of Directors; Provided, finally, that the delegation of such powers and authority to the Board shall be considered as revoked whenever stockholders owning or representing a majority of the outstanding capital stock shall so vote at a regular or special meeting called for the purpose.

General Meetings may be regular or special, and shall be held at the office of the Corporation in Metro Manila. Regular meetings shall be held annually on any date in April of each year as may be determined by the Board of Directors. Special General Meetings may be held at any time by resolution of the Board of Directors or at the request of stockholders representing at least one-third of the subscribed and outstanding capital, setting forth the purpose of such meeting in the notice.

Regular or special meeting of stockholders shall be called by written or printed notice and shall be sent by personal delivery or by mail, with postage prepaid, and the notices shall be deposited in the Makati City Post Office, addressed to the address registered in the books of the Corporation at least fifteen (15) business days advance of the date for which the meeting is called.

Any stockholder entitled to vote may be represented by proxy at any regular or special stockholders' meetings. Proxies shall be in writing and signed and in accordance with the existing laws, rules and regulations of the Securities & Exchange Commission. Duly accomplished proxies must be submitted to the office of the Corporate Secretary not later than seven (7) business days prior to the date of the stockholders' meeting. Validation of proxies shall be conducted by the Proxy Validation Committee at least five (5) business days prior to the date of the stockholders' meeting.

b. Authorization of additional shares:
The stockholders of the Corporation shall have preferred right to subscribe to all new issues of its stocks in the event of issue of additional shares of stock or of any increase in capital. All stockholders have pre-emptive rights, unless there is a specific denial of this right in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the corporation. The Articles of Incorporation may lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which are protected by law so long as they are not in conflict with the Corporation Code

c. Transfer of all or substantially all assets, which in effect results in the sale of the company: *Shareholders may exercise appraisal right in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and in case of merger or consolidation.*

It is the duty of the directors to promote shareholders right, remove impediments to the exercise of shareholders rights and recognize lawful mechanisms to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

The Company sends out notices to the AGM at least fifteen days in advance of the date for which the meeting is called.

a. Date of sending out notices: *March 12, 2015*

b. Date of the Annual/Special Stockholders' Meeting: *April 6, 2015*

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

The following are the relevant and significant comments and inquiries of the stockholders during the Annual Stockholders' Meeting held last April 7, 2015:

- Mr. Philip Turner congratulated the Board for its performance and commended the Corporation's services to the community. He also inquired on the Corporation's plan on the "wasted" spaces in Tower One and Exchange Plaza specifically on the main entrance of the building suggesting that the architects assigned to design the building should also have an idea on the future use of the building's space aside from just focusing on beauty and appearance. The Chairman noted the comments and suggestions of Mr. Turner and commented that Management is constantly trying to improve the facilities and amenities of Tower One and Exchange Plaza. The Chairman emphasized that the focus of the building's design as well as with all the projects of the Corporation, is the creation of balance between efficiency and use of open space.

- Mr. Ed Lucero, another stockholder, supported the statement of the Chairman and mentioned that one of the hallmarks of the Corporation's development is its low-density construction where there are a lot of open spaces where people can interact with nature. He also congratulated the Board, Management and staff for the outstanding performance in 2014 and expressed his confidence that Corporation will meet its target earlier than planned due to the sustainable communities that the Corporation is building.

- Mr. Eduardo Tuazon also expressed his positive feedback on the increase in the revenues of the Corporation and its subsidiary, Avida Land Corp. ("Avida"). He aired his concerns though on the lack of official and provisional receipt as proof of his payment of the reservation fee for one of the units in an Avida development in NUVALI, Laguna. He suggested that the reservation application should at least include a statement pertaining to the payment of reservation in the absence of an official or provisional receipt. The Chairman assured Mr. Tuazon that his concerns and suggestions will be taken into account. The President also mentioned that a customer service personnel will approach Mr. Tuazon after the meeting to assist him on his concerns.

- Mrs. Elnora Turner also expressed that they are happy to join the annual stockholders' every year and commended the hard work of the Board.

- Mr. Carmencita Santos, on the other hand, expressed her frustration on her customer service experience and strongly suggested that Management should make sure that customers know the feedback mechanism and their possible recourse should a problem arise. She also pointed out that she was able to get a feedback on her queries only when she mentioned that she is a stockholder of the Corporation. This also prompted her to ask the possible recourse for customers who are not stockholders. Furthermore, she noted that this issue on customer service feedback mechanism will have an impact on the marketing efforts of Management especially if customers do not know where to go to. The Chairman sympathized with Ms. Santos and assured her that a customer care representative will discuss her concerns right after the meeting so that Management could also have a better understanding thereof and that a more senior group will also work and take action on her concerns. The Chairman further stated that the President and he will personally look at what happened to make sure that proper mechanisms are put in place.

- Mr. Guillermo Gili asked about the exact location in Cavite of the LRT-1 expansion. The Chairman noted that the LRT-1 is not part of the Corporation's project and the same will be discussed in Ayala Corporation's annual stockholders' meeting.

- Mr. Federico Aldecoa recounted his experience in obtaining Bureau of Internal Revenue (BIR) Form

2306from the Corporation noting that he was asked to pay Php200.00 for it, which in his opinion is too much hassle for stockholders like him. He suggested that it would be better if the BIR Form 2306 will also be given along with the dividend check so that there will be no need to request for the form separately. He also aired his disappointment with the contact information provided to the stockholders which is only for sales concerns. The Chairman assured Mr. Aldecoa that Management will look at the best way to address these concerns while Mr. Jaime E. Ysmael, the Chief Finance Officer, also noted that the requirement of the BIR to file BIR Form 2306 is not mandatory and providing the form along with the dividend checks is a tedious process on the part of the Management. He mentioned though that Management is also hoping that this requirement will be dispensed with but he assured that if this requirement becomes mandatory the Management will work to ensure that the certification is made available to all stockholders. With respect to the telephone numbers, he mentioned that these were expanded and categorized and are available in the Corporation's website.

- Ms. Carmencita Santos, on the other hand, asked if there is a plan to increase further the number of independent directors citing that in her experience in the banking industry there is a move to increase the requirement for the independent directors to make up a majority of the board. Mr. Solomon M. Hermosura, the Corporate Secretary, noted that the Securities and Exchange Commission requires only 20% of the directors as independent although the ASEAN Corporate Governance scorecard encourages companies to have the independent directors compose a majority of the board. The Chairman noted that since Ayala Corporation is the majority stockholder of the Corporation, it should also have the majority of the Board seats. He also mentioned that the Corporation in fact receives awards every year for Corporate Governance and that it does not only comply with the requirements but exceeds the Corporate Governance standards.

- Ms. Santos also asked about the rotation of the external auditor and the time limit a firm can serve as an external auditor. She commented that SGV has been serving as the Corporation's external auditor since time immemorial and asked if Management is comfortable with this set-up. The Chief Finance Officer noted that the requirement is to rotate the assigned partner and not the auditing firm itself. Mr. Ysmael emphasized that the rotation is strictly being implemented by SGV to ensure their independence and that it is also being monitored by the Management. He assured that the Board and Management are comfortable with this set-up as the requirement of rotation is being met by SGV.

- Mr. Antonio Garcia aired his concern about the policy of Trinoma Mall on the use of the family lounge, where an age limit for children is being imposed. He asked why call it a family lounge if the family members are not allowed to be together. He also mentioned if Ayala Malls Group can do something to remove or change the anti-camcording ad being aired before the start of a movie noting that while the message is clear about illegal cam-cording, it also depicts violence which is not suitable for minor audience. The Chairman assured that a representative from the Ayala Malls Group will approach Mr. Garcia to address his concerns.

- Mr. Philip Turner raised a question in relation to the unappropriated retained earnings of the Corporation, their supposed pay-out to the stockholders, and the declaration of dividends, amount and schedule. He noted that per his understanding of the Philippine Corporation Code, when the unappropriated retained earnings exceed the paid-in capital, the excess should be paid to the stockholders. In answer, the Chairman noted that the Corporation has dividend policy that it has been following over the years keeping in mind the importance of balance between the dividends for stockholders and the need of the Corporation to fund its capital expenditures. Mr. Ysmael also pointed out the Corporation's commitment in paying dividends and recounted that the Corporation has increased its dividend payout since 2010 with a yearly increase of 5%.He also emphasized the fact that last year the Corporation reached the 50% payout of the previous net income of the Corporation equivalent to Php5.7 Billion and assured that in terms of dividend pay-out, the stockholders could expect the continued growth in the years to come. He also mentioned that this year's dividend is slightly higher than last year which translates to 40% pay-out. He further commented that part of the retained earnings should also be reinvested towards funding the heavy capital expenditure program to build up the Corporation's portfolio for malls, offices and hotels to achieve the 50-50 balance between development income and other plans. Stockholders should consider that the Corporation needs to re-invest the retained earnings not only to fund the expansion program but to also avoid borrowings which will risk the strength of the Corporation's balance sheet. He also mentioned that in the future, the Management will ensure that part of the retained earnings is appropriated to fund the expansion programs of the Corporation.

- Mr. Emilio Dela Cruz aired his concern on the requirement of the Corporation in relation to accrediting real-estate brokers as selling agents of various projects and developments of the Corporation and its subsidiaries.

- He noted that compared to other developers, the Corporation's requirements are too strict including the attendance of a whole day seminar. The President commented that these seminars and strict requirements are set to make sure that selling agents will have sufficient knowledge of the Corporation's products to able to properly represent the Corporation. The Management wants to make sure that sellers are well informed of the product specification of each project and possess proper knowledge of the various consumers segments. He also assured that to further address his concerns, a representative from the Sales Group will approach Mr. dela Cruz after the meeting.

- Mr. Guillermo Gili made a follow-up question on the engagement of SGV where the Chairman again noted that the Corporation is strictly following the rules and set the highest standards for Corporate Governance.

5. Result of Annual/Special Stockholders' Meeting's Resolutions*

Resolution and Matters for Approval	Approving	Dissenting	Abstaining
Minutes of Previous Meeting	99.89%	0.00%	0.11%
Annual Report	99.87%	0.00%	0.13%
Ratification of All Acts and Resolutions of the Board of Directors and of the Executive Committee Adopted During the Preceding Year	99.87%	0.00%	0.13%
Election of Directors			
Fernando Zobel de Ayala	98.75%	1.17%	0.12%
Jaime Augusto Zobel de Ayala	98.40%	1.22%	0.12%
Bernard Vincent O. Dy	99.38%	0.74%	0.11%
Antonino T. Aquino	98.51%	1.22%	0.25%
Delfin L. Lazaro	99.17%	0.71%	0.11%
Vincent Y. Tan	99.23%	0.83%	0.11%
Francis G. Estrada (independent)	99.39%	0.49%	0.11%
Jaime C. Laya (independent)	99.23%	0.41%	0.11%
Rizalina G. Mantaring (independent)	99.63%	0.06%	0.11%
Election of External Auditors and Fixing of their Remuneration	99.89%	0.00%	0.11%

**Percentage based on the shares represented at the April 6, 2015 Annual Stockholders' Meeting.*

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

   April 7, 2015 or one day after the Annual Stockholders Meeting.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
N/A	N/A

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	All	April 06,2015	By poll	67.03205%	16.75126%	83.78331%
Special	Not Applicable	None	-	-	-	-

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

The Company has engaged the services of Sycip,Gorres,Velayo&Co. to count and validate the results of the votes of the company's annual stockholders' meeting since 2013.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes, the Company's preferred and common shares carry one vote each.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

<table>
<tr><th></th><th>Company's Policies</th></tr>
<tr><td>Execution and acceptance of proxies</td><td rowspan="9">The Company follows Securities Regulations Code Rule 20 of the Securities Exchange Commission on proxy solicitation and voting.
- Proxies must be issued and proxy solicitation must be made in accordance with rules and regulations to be issued by the Commission
- Proxies must be in writing, signed by the stockholder or his duly authorized representative and filed before the scheduled meeting with the corporate secretary
- Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at one time
- No broker or dealer shall give any proxy, consent or authorization, in respect of any security carried for the account of a customer, to a person other than the customer, without the express written authorization of such customer
- A broker or dealer who holds or acquires the proxy for at least ten percent (10%) or such percentage as the Commission may prescribe of the outstanding share of the issuer, shall submit a report identifying the beneficial owner within ten (10) days after such acquisition, for its own account or customer, to the issuer of the security, to the Exchange where the security is traded and to the Commission</td></tr>
<tr><td>Notary</td></tr>
<tr><td>Submission of Proxy</td></tr>
<tr><td>Several Proxies</td></tr>
<tr><td>Validity of Proxy</td></tr>
<tr><td>Proxies executed abroad</td></tr>
<tr><td>Invalidated Proxy</td></tr>
<tr><td>Validation of Proxy</td></tr>
<tr><td>Violation of Proxy</td></tr>
</table>

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Regular or special meeting of stockholders shall be called by written or printed notice and shall be sent by personal delivery or by mail, with postage prepaid, and the notices shall be deposited in the Makati City Post Office, addressed to the address registered in the books of the Corporation at least fifteen (15) business days advance of the date for which the meeting is called. Notice of regular or special meeting shall contain in addition to the date, hour and place of the meeting, a statement of the matters to be transacted at the meeting, and no business other than that specified in the call shall be transacted at such meeting.	The notice of stockholders' shall also set the date, time and place of the validation of proxies, which in no case, shall be less than five (5) business days prior to the annual stockholders' meeting to be held.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	12,478
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 12, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 12, 2015
State whether CD format or hard copies were distributed	CD format, hard copies and link to website were made available
If yes, indicate whether requesting stockholders were provided hard copies	Yes, requesting shareholders were provided with their preferred formats (i.e. hard copies or CDs)

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	Yes
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	Yes
The auditors to be appointed or re-appointed.	Yes
An explanation of the dividend policy, if any dividend is to be declared.	Yes
The amount payable for final dividends.	Yes
Documents required for proxy vote.	Yes

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation

Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code. Cumulative voting shall be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds of the outstanding capital of the Corporation. Minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are legitimate business purposes. In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of the stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholders having a legitimate purpose for such access.

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, minority stockholders maintain the right to nominate candidates for Board of Directors.

J. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

The Company utilizes an email blast service as a primary medium for all internal communications. Information carried through this platform is directed at specific recipients and should not be disseminated or forwarded to external addresses. All records and data pertaining to corporate plans and objectives, personnel, resources, organizational structures and other similar or related records and data are considered classified information. Employees must not share propriety information in social media without the explicit approval of the Human Resources Division.

All official media statements and public disclosures require the approval of authorized officers of the Company prior to release. The Company's internal and external communications policies are reviewed by the Human Resources Division on a quarterly basis.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	The Company has created and continues to implement an investor relations (IR) program that reaches out to all shareholders and fully informs stakeholders of corporate activities. The IR desk formulates a clear policy on communicating or relating relevant information to Corporation stockholders and to the broader investor community accurately, effectively and sufficiently. It also prepares disclosure statements to the Philippine Securities and Exchange Commission and the Philippine Stock Exchange. The Company ensures that the Manual of Corporate Governance is properly disseminated and orientation programs are conducted for the Board, Management and new employees.
(2) Principles	The Company is committed to the highest standards of disclosure, transparency and fairness in information dissemination. We provide the public with strategic, operating and financial information through adequate and timely disclosures submitted to regulatory authorities.

	Along with regular periodic reports, we disclose any and all material information about the Company that may have an impact on the Company's valuation and therefore its stock price and the trading volume of its securities.
(3) Modes of Communications	We conduct annual shareholders' meeting, quarterly analyst briefings and communicate directly with institutional and individual investors through one-on-one discussions, conference calls and written platforms such as electronic mail. Analysts and investors who are unable to attend our quarterly briefings in person are also invited to participate through a teleconference facility. A playback facility on our website is available for three business days after each briefing. We also have a continuing program of enhancing our Investor Relations website, which includes podcasts of our quarterly briefings.
(4) Investors Relations Officer	Michael Anthony L Garcia Head, Investor Communications & Compliance Division Tel. No: 9083677 Fax: 7506790 Email: garcia.mike@ayalaland.com.ph

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

The funds of the Corporation other than the sums necessary for current expenses shall be invested as may be directed by the Board of Directors in accordance with the Articles of Incorporation and subject to the limitations provided by existing laws. Under the Company's Amended Articles of Incorporation, the purpose or purposes for which said Corporation is formed are as follows:

To acquire for itself or in behalf of other parties, and to invest in, hold, sell or otherwise dispose of, stocks, bonds, debentures, certificates or other securities of any corporation, domestic or foreign, or other persons, in the same manner and to the same extent as juridical persons might or could do, and while the owner or holder of such stocks, bonds or other securities, to exercise all rights, privileges and powers appurtenant thereto; without dealing in securities or engaging in stock brokerage business.

In accordance with the Corporation Code, shareholders may exercise appraisal rights in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code and of merger or consolidation

In cases of mergers, acquisitions and/or takeovers requiring shareholders' approval, the Board of Directors may appoint an independent party to evaluate the fairness of the transaction price whenever deemed necessary.

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company engaged various accredited independent parties to issue fairness opinion reports for the Company's mergers, acquisitions of assets and divestment transactions.

K. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
INSTITUTIONAL	
Sustainable development - ALI is committed to its dictum of "Enhancing land and	Customers, nearby communities, general public (by way of increased economic activity in the city or province where

enriching lives for more people" by building masterplanned communities that are integrated, mixed-use, and sustainable. Working with this framework gives the Company enough latitude to build sustainably considering the economic, environmental and social conditions of the area. - The four sustainability focus areas help us create long-term value for our customers, investors and various stakeholders. - **Site Resilience.** - **Pedestrian and Transit Connectivity.** - **Eco-efficiency.** - **Local Employment.**	ALI is located)
Alay sa Komunidad - Alay sa Edukasyon (Education) Refurbishing of Taguig library; book donations; Brigada Eskwela; Seminars for LGUs; school kit program - Alay sa Kabuhayan (Livelihood) Livelihood seminars (in cooperation with TESDA) Support for community cooperatives, livelihood programs such as basket-weaving and pavers-making, have been implemented successfully in NUVALI	Surrounding communities affected by development
PARTNERSHIPS	
Ayala Foundation Inc. – ALI supports the foundation's various initiatives through donations and active participation in programs such as the yearly Ayala Young Leaders Congress and CENTEX, a private school for academically gifted but under-resourced children.	The Filipino Youth
HERO Foundation – ALI, in 2009, helped lay the foundations that will enable HERO to achieve its goal of building its existing endowment fund to provide educational support to military orphans. The Company helped revitalize HERO back-end operations and continue to support various fund-raising activities. Mr. Jaime Zobel de Ayala was one of the founders of HERO in 1988.	Orphans of Filipino soldiers killed or incapacitated in the line of duty
Worldwide Fund for Nature (WWF) – ALI has partnered with WWF in many projects such as its global Earth Hour program. The Ayala Malls is particularly supportive to the NGO by way of providing free space at the malls to promote their cause.	General public (in line with environmental protection and climate change awareness)
Habitat for Humanity – ALI has partnered with Habitat to provide homes for qualified families that were relocated from the banks of the Pasig River in line with the Pasig Rehabilitation project initiated by the business community.	Marginalized sector needing shelter

Children's Hour - The Ayala Malls supports the foundation by way of providing free space at the malls to promote their cause.	Underprivileged young children needing education, protection, health and nutrition

L. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors **Board Committees** **Individual Directors**	One of the tools used by the Board to monitor and improve its performance is an annual self-assessment exercise. This is administered in the form of a formal questionnaire that is answered by each member of the Board and where they rate their individual performance and that of the Board as a whole. The results are compiled by the Compliance Officer and submitted back to the Board for discussion and appropriate action through the Corporate Secretary. This self-assessment survey covers four broad areas of Board performance: Fulfillment of the Board's Key Responsibilities, Quality of the Board–Management Relationship, Effectiveness of Board Processes and Meetings, and the Performance of Individual Board Members. The self-assessment survey questions are reviewed regularly and administered every May (after the Annual Stockholders' Meeting). An assessment of the Board committees will be added in future surveys.	
President and CEO	The Board also conducts its annual assessment of the President and CEO's performance in the previous year vs. the set company targets.	

M. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
To strictly observe and implement the provisions of the Manual of Corporate Governance, the following penalties shall be imposed after notice and hearing, on the Corporation's directors, officers, staff, in case of violation of any provisions of the Manual of Corporate Governance: ▪ In case of first violation, the subject person shall be reprimanded ▪ In case of second violation, suspension from office shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation ▪ For third violation, removal from office. The commission of a third violation of the Manual of Corporate Governance by any member of the Board shall be sufficient cause from removal from directorship.	

AyalaLand

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Land, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors

BERNARD VINCENT O. DY
President & Chief Executive Officer

JAIME E. YSMAEL
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 2 0 2015 at Makati City, affiants exhibiting to me their respective Passports, to wit:

Name	Passport No.	Date & Place of Issue
Fernando Zobel de Ayala	EB5445983	22 May 2012 – Manila
Bernard Vincent O. Dy	EB4700081	14 Feb 2011 – Manila
Jaime E. Ysmael	EB6092044	6 Aug 2012 – Manila

Doc. No. 325 ;
Page No. 66 ;
Book No. III ;
Series of 2015.

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

SANDRA A. LUNA-ARIAS · NOTARY PUBLIC · ROLL NO. 55755 · CITY, PHILIPPINES

SANDRA A. LUNA-ARIAS
Notary Public - Makati City
Appt. No. 286 until December 31, 2016
Attorney's Roll No. 55755
PTR No. 4748077MC; 01-05-2015; Makati City
IBP Lifetime Roll No. 010328
MCLE Compliance No. V-0004781; 12/03/2014
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 5 2 7 4 7

Company Name

A Y A L A L A N D , I N C . A N D S U B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town/Province)

3 1 s t F l o o r , T o w e r O n e a n d E x c h a n g e P l a z a , A y a l a T r i a n g l e , A y a l a A v e n u e , M a k a t i C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Angelica L. Salvador		908-3681	

Contact Person's Address

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ayala Land, Inc.
31st Floor, Tower One and Exchange Plaza, Ayala Triangle
Ayala Avenue, Makati City

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ayala Land, Inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-3 (Group A),
February 14, 2013, valid until February 13, 2016
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751262, January 5, 2015, Makati City

February 20, 2015

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 29)	**₱28,677,282**	₱27,966,138
Short-term investments (Notes 5 and 29)	**301,405**	16,728
Financial assets at fair value through profit or loss (Notes 6 and 29)	**6,264,569**	13,403,497
Accounts and notes receivable (Notes 7 and 29)	**58,573,665**	42,849,106
Inventories (Note 8)	**48,179,191**	43,572,245
Other current assets (Note 9)	**23,638,333**	19,319,245
Total Current Assets	**165,634,445**	147,126,959
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7 and 29)	**31,374,498**	17,648,365
Available-for-sale financial assets (Notes 10 and 29)	**784,371**	336,261
Land and improvements (Note 11)	**80,444,542**	62,722,720
Investments in associates and joint ventures (Note 12)	**10,963,182**	9,318,774
Investment properties (Note 13)	**67,897,942**	59,183,364
Property and equipment (Note 14)	**18,824,912**	17,554,470
Deferred tax assets - net (Note 23)	**6,457,372**	5,161,046
Other noncurrent assets (Notes 15 and 26)	**6,563,199**	6,421,726
Total Noncurrent Assets	**223,310,018**	178,346,726
	₱388,944,463	₱325,473,685

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 16 and 29)	**₱104,531,936**	₱79,478,164
Short-term debt (Notes 17 and 29)	**16,302,312**	12,407,056
Income tax payable	**647,234**	1,056,682
Current portion of long-term debt (Notes 17 and 29)	**5,066,903**	3,542,152
Deposits and other current liabilities (Note 18)	**8,897,771**	5,139,153
Total Current Liabilities	**135,446,156**	101,623,207
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17 and 29)	**103,296,454**	85,952,677
Pension liabilities (Note 26)	**1,580,228**	1,147,484
Deferred tax liabilities - net (Note 23)	**1,967,129**	1,306,517
Deposits and other noncurrent liabilities (Notes 19 and 29)	**24,659,038**	23,346,234
Total Noncurrent Liabilities	**131,502,849**	111,752,912
Total Liabilities	**266,949,005**	213,376,119

(Forward)

	December 31	
	2014	2013
Equity (Note 20)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-in capital	**₱44,851,468**	₱44,455,043
Retained earnings	**66,478,250**	57,608,700
Stock options outstanding (Note 28)	**185,604**	198,274
Remeasurement loss on defined benefit plans (Note 26)	**(572,392)**	(524,678)
Net unrealized gain on available-for-sale financial assets (Note 10)	**135,815**	32,105
Equity reserves (Note 2)	**(4,138,909)**	(3,299,669)
	106,939,836	98,469,775
Non-controlling interests	**15,055,622**	13,627,791
Total Equity	**121,995,458**	112,097,566
	₱388,944,463	₱325,473,685

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Real estate (Notes 21 and 25)	**₱89,027,534**	₱76,337,434	₱54,705,427
Interest and investment income (Notes 6, 7, 24 and 25)	**4,816,980**	3,538,357	4,277,103
Equity in net earnings of associates and joint ventures (Note 12)	**646,537**	549,741	535,911
Other income (Note 22)	**705,995**	1,097,538	413,721
	95,197,046	81,523,070	59,932,162
COSTS AND EXPENSES			
Real estate (Note 22)	**59,395,613**	51,839,186	37,025,710
General and administrative expenses (Notes 22, 26 and 28)	**6,203,133**	5,929,336	4,726,568
Interest and other financing charges (Note 22)	**5,365,716**	4,115,555	3,264,994
Other charges (Note 22)	**375,797**	678,930	367,296
	71,340,259	62,563,007	45,384,568
INCOME BEFORE INCOME TAX	**23,856,787**	18,960,063	14,547,594
PROVISION FOR INCOME TAX (Note 23)			
Current	**7,010,602**	6,654,709	3,893,519
Deferred	**(868,273)**	(1,999,339)	(422,411)
	6,142,329	4,655,370	3,471,108
NET INCOME	**₱17,714,458**	₱14,304,693	₱11,076,486
Net income attributable to:			
Equity holders of Ayala Land, Inc. (Note 27)	**₱14,802,642**	₱11,741,764	₱9,038,328
Non-controlling interests	**2,911,816**	2,562,929	2,038,158
	₱17,714,458	₱14,304,693	₱11,076,486
Earnings Per Share (Note 27)			
Net income attributable to equity holders of Ayala Land, Inc.			
Basic	**₱1.05**	₱0.84	₱0.68
Diluted	**1.05**	0.83	0.67

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
Net income	**₱17,714,458**	₱14,304,693	₱11,076,486
Other comprehensive income (loss)			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:			
Net unrealized gain (loss) on available-for-sale financial assets (Note 10)	**103,710**	(7,141)	4,281
Other comprehensive loss not to be reclassified to profit or loss in subsequent years:			
Actuarial loss on pension liabilities (Note 26)	**(76,944)**	(390,646)	(228,916)
Tax effect relating to components of other comprehensive loss	**23,083**	117,194	68,675
Total other comprehensive income (loss) – net of tax	**49,849**	(280,593)	(155,960)
Total comprehensive income	**₱17,764,307**	₱14,024,100	₱10,920,526
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	**₱14,851,119**	₱11,466,162	₱8,875,391
Non-controlling interests	**2,913,188**	2,557,938	2,045,135
	₱17,764,307	₱14,024,100	₱10,920,526

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands, Except Par Value and Cash Dividends Per Share Figures)

	Years Ended December 31		
	2014	2013	2012
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.			
Common Shares - ₱1.00 par value (Note 20)			
Issued:			
Balance at beginning of year	**₱14,063,902**	₱13,729,402	₱13,022,771
Issuance of shares	**123,150**	334,500	706,631
Balance at end of year	**14,187,052**	14,063,902	13,729,402
Subscribed:			
Balance at beginning of year	**109,385**	102,159	99,917
Additions	**17,202**	341,726	708,873
Issuance of shares	**(123,150)**	(334,500)	(706,631)
Balance at end of year	**3,437**	109,385	102,159
Preferred Shares - ₱0.10 par value (Note 20)			
Balance at beginning of year	**1,306,649**	2,610,109	1,303,460
Issuance of shares	**–**	–	1,306,649
Retirement of shares	**–**	(1,303,460)	–
Balance at end of year	**1,306,649**	1,306,649	2,610,109
Additional Paid-in Capital			
Balance at beginning of year	**29,712,336**	18,216,407	4,887,298
Additions (Notes 20 and 28)	**487,988**	11,495,929	13,329,109
Balance at end of year	**30,200,324**	29,712,336	18,216,407
Subscriptions Receivable			
Balance at beginning of year	**(737,229)**	(539,477)	(353,240)
Additions	**(176,671)**	(378,950)	(405,986)
Collections	**67,906**	181,198	219,749
Balance at end of year	**(845,994)**	(737,229)	(539,477)
Total Paid-in Capital	**44,851,468**	44,455,043	34,118,600
Retained Earnings (Note 20)			
Appropriated for future expansion	**6,000,000**	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	**51,608,700**	43,996,249	37,860,055
Cash dividends			
Common share - ₱0.41 per share in 2014, ₱0.29 per share in 2013 and ₱0.21 per share in 2012	**(5,871,054)**	(4,067,275)	(2,856,438)
Preferred share - ₱0.005 per share or 4.64%	**(62,038)**	(62,038)	(45,696)
Net income	**14,802,642**	11,741,764	9,038,328
Balance at end of year	**60,478,250**	51,608,700	43,996,249
	66,478,250	57,608,700	49,996,249

(Forward)

	Years Ended December 31		
	2014	2013	2012
Stock Options Outstanding (Note 28)			
Balance at beginning of year	**₱198,274**	₱213,758	₱232,298
Cost of stock options	**11,844**	19,688	31,751
Stock options exercised	**(24,514)**	(35,172)	(50,291)
Balance at end of year	**185,604**	198,274	213,758
Remeasurement Loss on Defined Benefit Plans			
Balance at beginning of year	**(524,678)**	(253,723)	(104,831)
Net changes during the year	**(47,714)**	(270,955)	(148,892)
Balance at end of year	**(572,392)**	(524,678)	(253,723)
Net Unrealized Gain on Available-for-Sale Financial Assets (Note 10)			
Balance at beginning of year	**32,105**	36,752	50,797
Net changes during the year	**103,710**	(4,647)	(14,045)
Balance at end of year	**135,815**	32,105	36,752
Equity Reserves (Notes 2 and 20)			
Balance at beginning of year	**(3,299,669)**	8,960	8,960
Movement during the year	**(839,240)**	(3,308,629)	–
Balance at end of year	**(4,138,909)**	(3,299,669)	8,960
Treasury Shares (Note 20)			
Balance at beginning of year	**–**	(2,127,427)	(823,967)
Reissuance	**–**	823,967	–
Retirement	**–**	1,303,460	–
Redemption	**–**	–	(1,303,460)
Balance at end of year	**–**	–	(2,127,427)
NON-CONTROLLING INTERESTS			
Balance at beginning of year	**13,627,791**	13,547,045	13,377,230
Net income	**2,911,816**	2,562,929	2,038,158
Net decrease in non-controlling interests	**(139,990)**	(1,367,725)	(841,056)
Dividends paid to non-controlling interests	**(1,342,623)**	(1,109,467)	(1,034,264)
Net gain (loss) on available-for-sale financial assets	**–**	(2,494)	18,326
Actuarial loss on pension liabilities	**(1,372)**	(2,497)	(11,349)
Balance at end of year	**15,055,622**	13,627,791	13,547,045
	₱121,995,458	₱112,097,566	₱95,540,214
Total Comprehensive Income			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	**₱14,802,642**	₱11,741,764	₱9,038,328
Non-controlling interests	**2,911,816**	2,562,929	2,038,158
	17,714,458	14,304,693	11,076,486
Net gain (loss) on available-for-sale financial assets attributable to (Note 10):			
Equity holders of Ayala Land, Inc.	**103,710**	(4,647)	(14,045)
Non-controlling interests	**–**	(2,494)	18,326
	103,710	(7,141)	4,281
Actuarial gain (loss) on pension liabilities attributable to:			
Equity holders of Ayala Land, Inc.	**(₱55,233)**	(₱270,955)	(₱148,892)
Non-controlling interests	**1,372**	(2,497)	(11,349)
	(53,861)	(273,452)	(160,241)
	₱17,764,307	₱14,024,100	₱10,920,526

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱23,856,787**	₱18,960,063	₱14,547,594
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 15 and 22)	**4,990,465**	3,898,401	2,714,537
Interest and other financing charges (Note 22)	**5,365,716**	4,115,555	3,264,994
Dividends received from investees (Note 12)	**1,019,885**	236,431	34,631
Cost of share-based payments (Note 28)	**196,088**	232,659	248,436
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 22)	**(96,702)**	657	–
Realized gain on financial assets at fair value through profit or loss (Note 22)	**(164,977)**	(2,104)	–
Gain on sale of property and equipment	**(1,097)**	(589,102)	(837)
Equity in net earnings of associates and joint ventures (Note 12)	**(646,537)**	(549,741)	(535,911)
Interest income	**(4,777,787)**	(3,528,766)	(3,673,325)
Gain on remeasurement of previously held equity interest (Note 24)	**–**	–	(593,853)
Provision for impairment losses (Note 22)	**139,627**	448,807	215,054
Operating income before changes in working capital	**29,881,468**	23,222,860	16,221,320
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable - trade	**(17,165,303)**	(7,162,382)	(10,565,938)
Inventories	**6,718,045**	(1,504,321)	(2,155,247)
Other current assets (Note 9)	**(4,290,975)**	(2,451,910)	(9,713,781)
Increase (decrease) in:			
Accounts and other payables	**24,679,257**	22,166,391	13,805,357
Deposits and other current liabilities (Note 18)	**3,758,618**	(328,162)	3,898,363
Pension liabilities (Note 26)	**383,657**	308,364	171,093
Net cash generated from operations	**43,964,767**	34,250,840	11,661,167
Interest received	**4,563,198**	3,284,026	3,666,534
Income tax paid	**(7,187,490)**	(6,366,620)	(3,835,134)
Interest paid	**(5,330,270)**	(3,929,597)	(3,070,038)
Net cash provided by operating activities	**36,010,205**	27,238,649	8,422,529
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of investments and financial assets at fair value through profit or loss	**41,234,788**	106,977	212,258
Sale of available-for-sale financial assets	**30,000**	129,513	220,049
Disposal of property and equipment (Note 14)	**213,744**	690,899	41,040
Disposal of investment properties (Note 13)	**793,047**	131,781	1,653

(Forward)

	Years Ended December 31		
	2014	2013	2012
Additions to:			
Short-term investments and financial assets at fair value through profit or loss	**(₱34,163,019)**	(₱12,795,536)	₱–
Available-for-sale financial assets (Note 10)	**(330,240)**	–	–
Land and improvements (Note 11)	**(28,358,401)**	(30,056,560)	(31,273,707)
Investments in associates and joint ventures (Note 12)	**(2,017,757)**	(1,126,982)	(188,423)
Investment properties (Note 13)	**(13,271,609)**	(10,797,538)	(10,160,717)
Property and equipment (Note 14)	**(3,251,225)**	(5,117,877)	(5,520,095)
Accounts and notes receivable - nontrade (Note 7)	**(12,210,428)**	(3,068,467)	(6,972,796)
Net increase in other noncurrent assets	**(174,133)**	(2,528,361)	(177,384)
Acquisition of subsidiary, net of cash acquired (Note 24)	**–**	–	(1,096,432)
Net cash used in investing activities	**(51,505,233)**	(64,432,151)	(54,914,554)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 17)	**33,075,483**	58,740,478	45,143,963
Payments of short and long-term debt (Note 17)	**(10,311,699)**	(31,616,655)	(13,078,096)
Increase in deposits and other noncurrent liabilities	**1,312,804**	3,479,954	10,885,732
Capital infusion by non-controlling interests in consolidated subsidiaries	**820,343**	1,005,254	446,793
Redemption of non-controlling interests in consolidated subsidiaries	**(388,439)**	(182,359)	(1,733,715)
Acquisition of non-controlling interest (Note 20)	**(1,411,130)**	(5,520,000)	–
Proceeds from capital stock subscriptions	**187,666**	9,790,114	14,891,418
Proceeds from reissuance of treasury shares	**–**	2,425,613	–
Redemption of treasury shares	**–**	–	(1,303,460)
Dividends paid to non-controlling interests	**(1,342,623)**	(1,109,467)	(1,034,264)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	**(5,736,233)**	(3,975,377)	(2,889,937)
Net cash provided by financing activities	**16,206,172**	33,037,555	51,328,434
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**711,144**	(4,155,947)	4,836,409
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**27,966,138**	32,122,085	27,285,676
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱28,677,282**	₱27,966,138	₱32,122,085

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Ayala Land, Inc. (the Company) is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines. The Company's parent is Ayala Corporation (AC). AC is a publicly-listed company, 49.03%-owned by Mermac, Inc., 10.18%-owned by Mitsubishi Corporation (MC) and the rest by the public. The Company's registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

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

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2014 and 2013 were endorsed for approval by the Audit Committee on February 16, 2015 and were approved and authorized for issue by the Board of Directors (BOD) on February 20, 2015.

2. Summary of Significant Accounting Policies

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

<u>Statement of Compliance</u>
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

<u>Basis of Consolidation</u>
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014.

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

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

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

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

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

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

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

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

	December 31	
	2014	2013
Real Estate:		
Alveo Land Corporation (Alveo)	**100%**	100%
Serendra, Inc.	**39**	39
Solinea, Inc. (Solinea)	**65**	65
BGSouth Properties, Inc. (BGS)	**50**	50
Portico Land Corp. (Portico)	**60**	60
Serendra, Inc.	**28**	28
Amorsedia Development Corporation (ADC)	**100**	100
OLC Development Corporation and Subsidiary	**100**	100
HLC Development Corporation	**100**	100
Allysonia International Ltd.	**100**	100

	December 31	
	2014	2013
Avida Land Corporation (Avida)	**100%**	100%
Buklod Bahayan Realty and Development Corp.	**100**	100
Avida Sales Corp. and Subsidiaries	**100**	100
Amicassa Process Solutions, Inc.	**100**	100
Avencosouth Corp. (Avencosouth)	**70**	70
BGNorth Properties, Inc. (BGN)	**50**	50
Amaia Land Co. (Amaia)	**100**	100
Amaia Southern Properties, Inc. (ASPI)	**65**	65
Ayala Land International Sales, Inc. (ALISI)	**100**	100
Ayala Land International Marketing, Inc. (AIMI)	**100**	100
Ayala Land International (Singapore) Pte. Ltd	**100**	–
Ayala Land International Marketing (Hong Kong) Ltd	**100**	–
Ayala Land International Marketing, SRL	**100**	–
Ayala Land International Marketing, London	**100**	–
Ayala Land Sales, Inc.	**100**	100
Southportal Properties, Inc. (Southportal)	**65**	–
Buendia Landholdings, Inc.	**100**	100
Crans Montana Holdings, Inc.	**100**	100
Crimson Field Enterprises, Inc.	**100**	100
Ecoholdings Company, Inc. (ECI)	**100**	100
NorthBeacon Commercial Corporation (NBCC)	**100**	100
Red Creek Properties, Inc.	**100**	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	**100**	100
Asterion Technopod Incorporated (ATI)	**100**	100
Westview Commercial Ventures Corp. (formerly Crestview E-Office Corporation) (Westview)	**100**	100
Fairview Prime Commercial Corp. (formerly Gisborne Property Holdings, Inc.)	**100**	100
Hillsford Property Corporation (HPC)	**100**	100
Primavera Towncentre, Inc. (PTI)	**100**	100
Summerhill E-Office Corporation (Summerhill)	**100**	100
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100
Subic Bay Town Centre, Inc.	**100**	100
Regent Wise Investments Limited (Regent Wise) (Hongkong Company)	**100**	100
AyalaLand Real Estate Investments, Inc.	**100**	100
AyalaLand Advisory Broadway, Inc.	**100**	100
AyalaLand Development (Canada), Inc.	**100**	100
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100
Arvo Commercial Corporation (Arvo)	**100**	100
BellaVita Land Corporation (BellaVita)	**100**	100
Nuevo Centro, Inc. (Nuevo Centro)	**100**	100
Cavite Commercial Town Center, Inc.	**100**	100
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo)) (Note 24)	**100**	100
One Dela Rosa Property Development, Inc.	**100**	100
First Gateway Real Estate Corp.	**100**	100
Glensworth Development, Inc. (Glensworth)	**100**	100
UP North Property Holdings, Inc.	**100**	100
Laguna Technopark, Inc. (LTI)	**75**	75
Ecozone Power Management, Inc.	**75**	75
Aurora Properties Incorporated	**78**	78
Soltea Commercial Corp.	**16**	–

	December 31	
	2014	2013
Vesta Property Holdings, Inc.	**70%**	70%
Station Square East Commercial Corporation (SSECC)	**69**	69
Asian I-Office Properties, Inc. (AiO) (Note 24)	**–**	–
Accendo Commercial Corp. (Accendo)	**67**	67
Avencosouth Corp.	**20**	20
Aviana Development Corporation	**7**	7
Aviana Development Corporation	**50**	50
Cagayan de Oro Gateway Corp. (CDOGC)	**70**	70
Ceci Realty, Inc. (Ceci)	**60**	60
Soltea Commercial Corp.	**12**	24
Soltea Commercial Corp.	**60**	60
CMPI Holdings, Inc.	**60**	60
CMPI Land, Inc.	**36**	36
ALI-CII Development Corporation (ALI-CII)	**50**	50
Roxas Land Corporation (RLC)	**50**	50
Adauge Commercial Corporation (Adauge)	**72**	87
Southgateway Development Corp. (SDC)	**100**	100
Ayalaland MetroNorth, Inc. (AMNI)	**100**	100
Verde Golf Development Corporation	**100**	100
AyalaLand Club Management, Inc.	**100**	100
North Triangle Depot Commercial Corporation (NTDCC)	**64**	49
BGWest Properties, Inc. (BGW)	**50**	50
Lagdigan Land Corp. (Lagdigan)	**60**	–
Cebu Holdings, Inc. (CHI)	**50**	50
Cebu Property Ventures Development Corp (CPVDC) and Subsidiary	**38**	38
Cebu Leisure Company, Inc.	**50**	50
CBP Theatre Management, Inc.	**50**	50
Taft Punta Engaño Property, Inc. (TPEPI)	**55**	55
Cebu Insular Hotel Company, Inc. (CIHCI)	**19**	19
Solinea, Inc.	**18**	18
Amaia Southern Properties, Inc. (ASPI)	**18**	18
Southportal Properties, Inc. (Southportal)	**18**	–
Alabang Commercial Corporation (ACC)	**50**	50
South Innovative Theater Management (SITMI)	**50**	50
ALI Commercial Center, Inc.	**100**	–
Solerte, Inc.	**100**	100
Construction:		
Makati Development Corporation (MDC)	**100**	100
MDC Subic, Inc.	**100**	100
MDC Build Plus, Inc.	**100**	100
MDC Conqrete, Inc. (MCI)	**100**	100
MDC Equipment Solutions, Inc. (MESI)	**100**	100
Hotels:		
Ayala Hotels, Inc. (AHI)	**50**	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**	100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (Note 24)	**80**	80
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24)	**80**	80
Asian Conservation Company Limited and Subsidiary	**100**	100
Enjay Hotels, Inc. (Enjay)	**100**	100
Greenhaven Property Venture, Inc. (GPVI)	**100**	100
Cebu Insular Hotel Company, Inc. (CIHCI)	**63**	63

	December 31	
	2014	2013
Bonifacio Hotel Ventures, Inc.	**100%**	100%
Southcrest Hotel Ventures, Inc.	**67**	67
Northgate Hotel Ventures, Inc.	**70**	70
North Triangle Hotel Ventures, Inc.	**100**	100
Ecosouth Hotel Ventures, Inc.	**100**	100
Sentera Hotel Ventures, Inc.	**100**	–
Econorth Resorts Ventures, Inc.	**100**	–
ALI Triangle Hotel Ventures, Inc.	**100**	–
Circuit Makati Hotel Ventures, Inc.	**100**	–
Capitol Centre Hotel Ventures, Inc.	**100**	–
Arca South Hotel Ventures, Inc.	**100**	–
ALI Makati Hotels & Residences, Inc. (formerly KHI-ALI Manila, Inc.) (Note 24)	**20**	20
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.) (Note 24)	**20**	20
Ten Knots Phils., Inc. (TKPI) (Note 24)	**60**	60
Bacuit Bay Development Corporation	**60**	60
Ten Knots Development Corp. (TKDC) (Note 24)	**60**	60
Chirica Resorts Corp.	**60**	60
Kingfisher Capital Resources Corp.	**60**	60
Property Management:		
Ayala Property Management Corporation (APMC)	**100**	100
Ayala Theatres Management, Inc. and Subsidiaries	**100**	100
DirectPower Services, Inc. (DirectPower)	**100**	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**	60
Entertainment:		
Five Star Cinema, Inc.	**100**	100
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**	50
Others:		
ALInet.com, Inc. (ALInet)	**100**	100
First Longfield Investments Limited (First Longfield) (Hongkong Company)	**100**	100
Green Horizons Holdings Limited	**100**	100
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**	100
AyalaLand Club Management, Inc.	**100**	100
ALI Capital Corp. (formerly Varejo Corp.)	**100**	100
Verde Golf Development Corporation	**100**	100
AyalaLand Club Management, Inc.	**100**	100
Whiteknight Holdings, Inc. (WHI)	**100**	100

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

The following were the changes in the group structure during 2014:

On December 29, 2014, Soltea increased its authorized capital stock and included Aurora Properties, Inc. as additional owner. The new ownership structure will be ALI 60%, Ceci 20%, and Aurora 20%.

On December 10, 2014, the Group purchased its proportionate share in Anglo Philippine Holdings Corporation's 15.79% interest in NTDCC for ₱738.3 million which consists of 539,249 common shares and 2,265,507 preferred shares. Subsequently, on December 22, 2014, the Group purchased the shares of Allante Realty and Development Corporation and DBH Incorporated in NTDCC for ₱211.2 million each comprises of 154,287 common shares and 648,196 preferred shares for each company. This increased the Group's ownership in NTDCC from 49.29% to 63.82% of the total outstanding capital stock of NTDCC (see Note 24).

Southportal Properties, Inc. (Southportal) was incorporated on December 1, 2014. It is 65%-owned by the Company and the remaining 35% is held by CHI. The primary purpose of Southportal is to develop, sell and manage the operations for ALP Towers in Cebu.

On July 31, 2014, the Company acquired equity interest in Ceci composed of 460,483 Class B common shares for ₱13.96 million which increased the Company's ownership from 60% to 60.40% (see Note 20).

On July 18, 2014, the Board of Directors (BOD) and the stockholders of APPCo approved the change of its corporate name to AyalaLand Offices, Inc. On October 17, 2014, the amended Articles of Incorporation was executed and subsequently approved by Securities and Exchange Commission on November 18, 2014.

Circuit Makati Hotel Ventures, Inc. was registered on October 20, 2014. It is a wholly owned subsidiary of AHRC with primary purpose of developing and managing the hotel operations in Circuit Makati.

Capitol Centre Hotel Ventures, Inc. was registered on October 20, 2014. It is a wholly owned subsidiary of AHRC with the purpose of developing and managing the hotel activities of SEDA Bacolod.

Arca South Hotel Ventures, Inc. was registered on October 17, 2014. It is a wholly owned subsidiary of AHRC with main purpose of developing and managing the hotel operations of Arca South project in Taguig.

Sentera Hotel Ventures, Inc. was registered on June 19, 2014. It is a wholly owned subsidiary of AHRC with the purpose of managing the hotel operation of SEDA Iloilo.

ALI Commercial Center, Inc. is a wholly owned subsidiary and was incorporated on October 13, 2014. ALI Commercial Center, Inc. will manage the operations of Glorietta and Greenbelt malls.

Econorth Resorts Ventures, Inc. is a wholly owned subsidiary of AHRC with the primary purpose of engaging in real estate and hospitality activities in Seda Lio, Palawan. It was registered on October 8, 2014.

On August 18, 2014, Antoman Realty Corporation invested an additional interest in Adauge consisting of 10,419,813 common shares and 93,778,320 preferred shares amounting to ₱104.2 million which decreased Ayala Land Inc.'s ownership from 86.67% to 72.15% of the total capital stock of Adauge.

ALISI bought its ownership interests over Ayala Land International Marketing, SRL in Italy and Ayala Land International Marketing, Inc. in London from Avida Sales Corporation on April 9, 2014 and December 10, 2014, respectively. ALISI continues to widen the range of exposure of all ALI residential brands by its marketing partners.

Lagdigan Land Corp. (Lagdigan) is a 60:40 joint venture between the Company and AC. It was incorporated on March 17, 2014 and its main purpose is to develop Laguindingan's 500-hectare property owned by AC. The vision is to develop it as a mixed-use area that will be the primary growth area in Misamis Oriental.

The Group acquired Mitsubishi Corporation's (MC) 40% equity stake in PhilEnergy which effectively made PhilEnergy a wholly owned subsidiary of the Group. The transaction which was executed on March 13, 2014 through a Share Purchase Agreement involving 2,957,200 shares held by MC in PhilEnergy amounted to a total investment cost of ₱322.3 million (see Note 24).

ALI Triangle Hotel Ventures, Inc. was registered on March 4, 2014. It is a wholly owned subsidiary of AHRC with the primary purpose of managing the activities of the new Mandarin Hotel.

The following were the changes in the group structure during 2013:

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

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

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

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

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

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

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

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

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

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

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

AyalaLand Real Estate Investments, Inc. was incorporated on February 4, 2013 under the laws of British Columbia, Canada. It is 100%-owned by the Company through Regent Wise. It is the beneficiary of the Trust and a Shareholder of Rize-AyalaLand (Kingsway) GP Inc. As of December 31, 2014 and 2013, it is a party to the Rize-AyalaLand (Kingsway) Limited Partnership.

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

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

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

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

On February 29, 2012, a wholly owned subsidiary of Ayala Land International Sales, Inc. (ALISI), Ayala Land International Marketing, Inc. (ALIM), was established in San Francisco, California, USA to address the increasing housing and investment requirements of the growing number of overseas Filipino workers.

On July 4, 2013, ALISI was able to establish Ayala Land International (Singapore) Pte. Ltd. with the same objectives as ALIM. Later on, ALISI further expanded by acquiring First Folio Limited in Hong Kong on September 13, 2013, whose name was changed to Ayala Land International Marketing (Hong Kong) Ltd. on November 20, 2013.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which became effective January 1, 2014.

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

Investment Entities *(Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 27, Separate Financial Statements)*
These amendments 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. The amendments must be applied retrospectively, subject to certain transition relief.

These amendments have no impact to the Group, since none of the entities within the Group qualifies to be an investment entity under PFRS 10.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

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 and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

The application of these amendments has no material impact on the disclosure in the Group's consolidated financial statements.

Philippine Interpretation IFRIC 21, *Levies*
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. Retrospective application is required for IFRIC 21.

This interpretation has no impact on the Group as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

***Annual Improvements to PFRSs* (2010-2012 cycle)**
In the 2010 – 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.

***Annual Improvements to PFRSs* (2011-2013 cycle)**
In the 2011 – 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective 2015

PFRS 9, *Financial Instruments - Classification and Measurement (2010 version)*
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. 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 FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

***Annual Improvements to PFRSs* (2010-2012 cycle)**
The *Annual Improvements to PFRSs* (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

***Annual Improvements to PFRSs* (2011-2013 cycle)**
The *Annual Improvements to PFRSs* (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group.

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective 2016

PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group’s consolidated financial statements.

PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

***Annual Improvements to PFRSs* (2012-2014 cycle)**
The *Annual Improvements to PFRSs* (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective 2018

PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

PFRS 9, *Financial Instruments (2014 or final version)*
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 is not expected to have any significant impact on the Group's consolidated financial statements.

Deferred Effectivity

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 FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

IFRS 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 for which fair value is measured or disclosed in the 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 or 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing 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.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, corporate finance analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

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

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

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

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of income under "Interest and investment income" and "Interest and other financing charges" accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

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

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

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

As of December 31, 2014 and 2013, the Group holds its investment in Unit Investment Trust Fund (UITF) BPI Short-term fund and investment in ARCH Capital Asian Partners L.P. (ARCH Capital Fund) as held for trading and classified these as financial assets at FVPL. Management takes the view that these are held for trading and it is a portfolio of identified property funds invested and managed by professional managers.

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

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

As of December 31, 2014 and 2013, the Group has no HTM investments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
c. the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor has transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

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

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

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

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

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

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

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

Financial asset carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

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

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset

the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

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

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

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

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

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

Input Value-Added Tax (VAT)
Input VAT arises from the purchase of goods and services. These are applied against output VAT. The remaining balance is recoverable in future periods.

Deposits in escrow
Deposits in escrow pertain to the proceeds from the sale of the Group's projects that have only been granted temporary License to Sell (LTS) as of reporting date. These proceeds are deposited in a local bank and earn interest at prevailing bank deposit rates. "Deposits in escrow" account is not presented as part of cash but rather as part of other current assets. It is restricted as to use but is subject for release upon the grant of permanent LTS.

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

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

Land and Improvements
Land and improvements consist of properties for future development and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less

estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties.

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

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

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

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

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

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

Interest in Joint Operation
Makati Development Corporation (MDC), a subsidiary of the Company, has an interest in joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. MDC recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its financial statements.

The financial statements of the joint operation are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

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

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

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

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

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

The estimated useful lives of investment properties follow:

	Years
Land improvements	8-40
Buildings	20-40

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

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

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

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

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

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

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

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

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

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

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

As of December 31, 2014 and 2013 intangible asset pertaining to leasehold right is included under "Other noncurrent assets".

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

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

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

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of

an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

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

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

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

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

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

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

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

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

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

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

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

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

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

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

awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

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

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

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

Equity reserves pertain to gains or losses resulting from increase or decrease in ownership without loss of control.

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

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

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer’s commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the “Deposits and other current liabilities” account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the “Deposits and other current liabilities” account in the liabilities section of the consolidated statement of financial position.

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

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

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

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

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

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

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

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

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

Commissions

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

Expenses

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

Borrowing Costs

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

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

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

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

Group as lessor
Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

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

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

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

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

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

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

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

Events after the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-

end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

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

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

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

Classification of club shares
Being a real estate developer, the Group determines how these shares shall be accounted for. In determining whether these shares shall be accounted for as either inventories or financial instruments, the Group considers its role in the development of the club and its intent for holding these shares.

The Group classifies such shares as inventories when the Group acts as the developer and its intent is to sell a developed property together with the club share.

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

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

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

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

NTDCC
The Group is the single largest shareholder of NTDCC with a 63.82% and 49.29% equity interest as of December 31, 2014 and 2013, respectively. The remaining 36.18% of the equity shares in NTDCC as of December 31, 2014 are held by three other shareholders. All the other shareholders need to act collectively for control. There is no history of other shareholders voting jointly.

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

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

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

Classification of joint arrangements

Investments in Joint Ventures
The Group's investments in joint ventures are structured in separate incorporated entities. Even though the Group holds various percentages of ownership interests on these arrangements, their respective joint arrangement agreements requires unanimous consent from all parties to the agreement for the relevant activities identified. In addition, the Group considers the number of its board seats in the incorporated entity. Further, the Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

Investment in Joint Operations
The Group considers whether or not the legal form of the separate entity confers separation between the parties and the separate vehicle. Further, the Group considers whether the terms of their arrangement entitles them to the rights over the specific assets and obligations for the specific liabilities.

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

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

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

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

Revenue and cost recognition
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's

revenue from real estate and construction contracts recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. See Notes 21 and 22 for the related balances.

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

Evaluation of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. See Note 8 for the related balances.

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

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect other current assets, land and improvements, investments in associates and joint ventures, investment properties, property and equipment, and other noncurrent assets. See Notes 9, 11, 12, 13, 14 and 15 for the related balances.

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

Determining the fair value of investment properties
The Group discloses the fair values of its investment properties in accordance with PAS 40. The Group engaged independent valuation specialist to assess fair value as at December 31, 2014 and 2013. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Deferred tax assets
The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. Also, the Group does not recognize certain deferred taxes on deductible temporary differences where doubts exist as to the tax benefits they will bring in the future. See Note 23 for the related balances.

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

Estimating pension liabilities and other retirement benefits
The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 26 and include among others, discount rate and salary increase rate.

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	2014	2013
	(In Thousands)	
Cash on hand	**₱31,459**	₱48,292
Cash in banks	**11,345,825**	11,738,629
Cash equivalents	**17,299,998**	16,179,217
	₱28,677,282	₱27,966,138

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

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

	2014	2013
Philippine Peso	**0.2% to 3.9%**	0.2% to 1.5%
US Dollar	**0.5% to 2.0%**	0.4% to 1.6%

5. Short-term Investments

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

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

	2014	2013
Philippine Peso	**1.4%**	1.1%
US Dollar	**2.0%**	1.6%

6. Financial Assets at FVPL

This account consists of:

	2014	2013
	(In Thousands)	
Investment in Unit Investment Trust Fund (UITF)	**₱5,607,838**	₱12,794,654
Investment in ARCH Capital Fund (Note 12)	**656,731**	608,843
	₱6,264,569	₱13,403,497

The Group invested in the BPI Short Term Fund (the Fund) in July 2013. The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. It has no minimum holding period and the Bangko Sentral ng Pilipinas (BSP) Special Deposit Account accounted for close to 70% of the Fund. As of December 31, 2014 and 2013, the total Net Asset Value (NAV) of the Fund amounted to ₱54,207.2 million and ₱56,199.0 million with duration of 19 days and 15 days, respectively. The fair value of the Group's total investment in the Fund amounted to ₱5,607.8 million and ₱12,794.7 million as of December 31, 2014 and 2013, respectively.

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

The following table provides the fair value hierarchy of the Group's financial assets at FVPL which are measured at fair value as of December 31, 2014:

2014

			Fair value measurement using		
	Date of Valuation	**Total**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Investment in Unit Investment Trust Fund (UITF)	**December 31, 2014**	**₱5,607,838**	₱–	₱5,607,838	₱–
Investment in ARCH Capital Fund	**September 30, 2014**	**656,731**	–	–	656,731

2013

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

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

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

Reconciliation of fair value measurement of Investment in Arch Fund is shown below:

	2014	2013
Balance at beginning of year	**₱608,843**	₱713,716
Redemptions	**(380,557)**	(348,941)
Additions	**317,325**	1,380
Unrealized gains included under "Interest and investment income"	**111,120**	242,688
Balance at end of year	**₱656,731**	₱608,843

7. Accounts and Notes Receivable

This account consists of:

	2014	2013
	(In Thousands)	
Trade:		
Residential development	**₱51,368,845**	₱33,360,247
Construction contracts	**2,181,689**	1,832,497
Shopping centers	**1,963,423**	1,973,436
Corporate business	**1,829,497**	1,233,568
Management fees	**139,122**	159,860
Others	**415,567**	148,674
Advances to other companies	**18,079,838**	8,694,121
Advances to contractors and suppliers	**9,629,745**	8,054,821
Accrued receivables	**2,543,092**	2,460,348
Receivables from related parties (Note 25)	**1,515,295**	1,844,697
Investment in bonds classified as loans and receivables	**450,000**	1,000,000
Receivables from employees	**431,916**	230,138
	90,548,029	60,992,407
Less allowance for impairment losses	**599,866**	494,936
	89,948,163	60,497,471
Less noncurrent portion	**31,374,498**	17,648,365
	₱58,573,665	₱42,849,106

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

- Residential development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units; economic and socialized housing units and sale of commercial lots; and leisure community developments
- Construction contracts - pertain to receivables from third party construction projects
- Shopping centers - pertain to lease receivables from retail spaces
- Corporate business - pertain to lease receivables from office and factory buildings; and receivables from the sale of office buildings and industrial lotsManagement fees - pertain to receivables from facilities management services
- Others - pertain to receivables from hotel operations and other support services

Sales contract receivables, included under residential development, are collectible in monthly installments over a period of one (1) to fifteen (15) years and with annual interest rates ranging from 3% to 16% computed on the diminishing balance of the principal. Titles to real estate properties are transferred to the buyers only once full payment has been made.

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

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

Advances to other companies pertain to advances to third party joint venture partners. These include current and long-term advances which are interest and noninterest-bearing.

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

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

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

- ₱200.0 million investment in 7.25% unsecured subordinated notes of Land Bank of the Philippines (LBP) due 2019, callable with step-up interest in 2014. The note was redeemed in full by LBP on June 10, 2014.
- ₱100.0 million investment in 5.88% unsecured subordinated notes of Land Bank of the Philippines due 2022, callable in 2017.
- ₱200.0 million investment in 5.75% unsecured subordinated notes of Development Bank of the Philippines due 2022, callable in 2017.
- ₱500 million investment in 5.75% collateralized bonds of First Metro Investment Corp. due 2019, callable in 2017. As of December 31, 2014, the Company's investment in the bond amounted to ₱150 million since the investment was partially redeemed on November 2014. No gain or loss was recognized on the redemption.

Receivables amounting to ₱599.9 million and ₱494.9 million as of December 31, 2014 and 2013, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2014

	Trade						Advances	
	Residential Development	Shopping Centers	Construction Contracts	Corporate business	Management Fees	Others	to Other Companies	Total
				(In Thousands)				
Balance at beginning of year	₱23,110	₱214,238	₱26,546	₱2,383	₱2,658	₱57,741	₱168,260	₱494,936
Provisions during the period (Note 22)	–	116,199	18,751	–	354	1,470	2,853	139,627
Translation adjustment	–	(27)	–	–	–	55	–	28
Reversal (Note 22)	–	–	–	–	–	–	–	–
Accounts written off	–	(30,758)	–	(2,383)	–	–	(1,584)	(34,725)
Balance at end of year	₱23,110	₱299,652	₱45,297	₱–	₱3,012	₱59,266	₱169,529	₱599,866
Individually impaired	₱9,555	₱171,903	₱45,297	₱–	₱2,614	₱48,380	₱169,202	₱446,951
Collectively impaired	13,555	127,749	–	–	398	10,886	327	152,915
Total	₱23,110	₱299,652	₱45,297	₱–	₱3,012	₱59,266	₱169,529	₱599,866
Gross amounts of receivables individually determined to be impaired	₱9,555	₱171,903	₱45,297	₱–	₱2,614	₱48,380	₱169,202	₱446,951

2013

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

As of December 31, 2014 and 2013, nominal amounts of trade receivables from residential development, advances to other companies and receivables from employees totaling ₱74,642.9 million and ₱47,234.9 million, respectively, were recorded initially at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's receivables as of December 31, 2014 and 2013 follow:

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱4,950,398**	₱2,541,240
Additions during the year	**2,213,622**	4,457,617
Accretion for the year	**(2,401,764)**	(2,048,459)
Balance at end of year	**₱4,762,256**	₱4,950,398

In 2014 and 2013, the Group entered in an agreement with BPI for the sale of interest-bearing employee receivables amounting to ₱105.4 million and ₱121.6 million, respectively at 6% interest rate. The transactions were without recourse and did not result to any gain or loss.

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

8. Inventories

This account consists of:

	2014	2013
	(In Thousands)	
Real estate:		
Residential and commercial lots:		
At cost	**₱24,561,267**	₱15,430,527
At NRV	**936,183**	936,183
	25,497,450	16,366,710
Residential and commercial units - at cost	**21,033,056**	25,519,461
Club shares - at cost	**1,648,685**	1,686,074
	₱48,179,191	₱43,572,245

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

2014

	Residential and commercial lots	**Residential and commercial Units**	**Club shares**	**Total**
		(In Thousands)		
Opening balances at January 1	**₱16,366,710**	**₱25,519,461**	**₱1,686,074**	**₱43,572,245**
Land acquired during the year	**7,223,855**	**1,165,866**	**–**	**8,389,721**
Land cost transferred from land and improvements (Notes 11 and 35)	**4,528,267**	**6,108,313**	**–**	**10,636,580**
Construction/development costs incurred	**3,581,001**	**13,567,907**	**–**	**17,148,908**
Disposals (recognized as cost of real estate sales) (Note 22)	**(6,580,207)**	**(25,558,636)**	**(37,389)**	**(32,176,232)**
Transfers from investment properties	**301,247**	**387,164**	**–**	**688,411**
Other adjustments/reclassifications	**76,577**	**(157,019)**	**–**	**(80,442)**
	₱25,497,450	**₱21,033,056**	**₱1,648,685**	**₱48,179,191**

2013

	Residential and commercial lots	Residential and commercial units	Club shares	Total
		(In Thousands)		
Opening balances at January 1	₱8,826,187	₱16,749,842	₱1,746,717	₱27,322,746
Land cost transferred from land and improvements (Notes 11 and 35)	7,454,628	7,271,578	–	14,726,206
Construction/development costs incurred	10,061,005	20,410,068	–	30,471,073
Disposals (recognized as cost of real estate sales) (Note 22)	(9,947,349)	(18,957,137)	(60,643)	(28,965,129)
Transfers from (to) investment properties	(26,138)	45,110	–	18,972
Other adjustments/reclassifications	(1,623)	–	–	(1,623)
	₱16,366,710	₱25,519,461	₱1,686,074	₱43,572,245

The cost of the inventories carried at NRV amounted to ₱2,524.0 million as of December 31, 2014 and 2013. The Group recorded no provision for impairment in 2014 and 2013.

9. Other Current Assets

This account consists of:

	2014	2013
	(In Thousands)	
Prepaid expenses	**₱10,086,621**	₱7,421,270
Value-added input tax - net	**5,926,976**	3,165,313
Deposits in escrow	**5,321,900**	6,743,298
Creditable withholding taxes	**1,502,802**	1,095,877
Materials, parts and supplies - at cost	**458,562**	430,014
Advances to suppliers	**44,910**	23,546
Others	**296,562**	439,927
	₱23,638,333	₱19,319,245

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

Value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods. As of December 31, 2014 and 2013, value-added input tax is carried net of allowance amounting to ₱204.9 million.

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

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

Creditable withholding taxes are applied against income tax payable. In 2014, ₱40.6 million impairment loss in the consolidated statement of income under "Provision for impairment losses" account has been recognized against creditable withholding tax.

10. Available-for-Sale Financial Assets

This account consists of investments in:

	2014	2013
	(In Thousands)	
Shares of stock:		
Unquoted	**₱261,115**	₱261,115
Quoted	**384,153**	24,394
	645,268	285,509
Net unrealized gain	**139,103**	50,752
	₱784,371	₱336,261

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

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

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

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

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

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱50,752**	₱60,894
Fair value changes during the year	**118,110**	(7,141)
Fair value loss transferred to profit or loss	**(29,759)**	(3,001)
Balance at end of year	**₱139,103**	₱50,752

As of December 31, 2014 and 2013, unrealized gain on AFS attributable to non-controlling interests amounted to ₱3.3 million and ₱18.6 million, respectively.

The following table provides the fair value hierarchy of the Group's available-for-sale financial assets which are measured at fair value as of December 31, 2014 and 2013:

2014

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Retail	**December 31, 2014**	**₱475,680**	₱475,680	₱–	₱–
Tourism and leisure	**December 31, 2014**	**47,576**	47,576	–	–
Unquoted					
Tourism and leisure	**Various**	**215,785**	–	–	215,785
Utilities and energy	**Various**	**33,180**	–	–	33,180
Real estate	**Various**	**11,888**	–	–	11,888
Telecommunication	**Various**	**262**	–	–	262
		₱784,371	₱523,256	₱–	₱261,115

2013

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Tourism and leisure	December 31, 2013	₱75,146	₱75,146	₱–	₱–
Unquoted					
Tourism and leisure	Various	215,785	–	–	215,785
Utilities and energy	Various	33,180	–	–	33,180
Real estate	Various	11,888	–	–	11,888
Telecommunication	Various	262	–	–	262
		₱336,261	₱75,146	₱–	₱261,115

11. Land and Improvements

The rollforward analysis of this account follows:

	2014	2013
	(In Thousands)	
Cost		
Balance at beginning of year	**₱63,232,845**	₱49,325,569
Additions	**28,358,401**	30,097,431
Transfers (Notes 8 and 13)	**(10,636,579)**	(16,190,155)
Balance at end of year	**80,954,667**	63,232,845
Allowance for impairment losses		
Balance at beginning and end of year	**510,125**	510,125
	₱80,444,542	₱62,722,720

On November 26, 2014, Alveo Land Corporation (Alveo) acquired a 6,986 sq. m. property located along Valero St., Salcedo Village, Makati City for ₱1.6 billion.

On September 15, 2014, Alveo acquired on installment a 2,400 sqm. property located along Ayala Avenue, Makati for ₱1.2 billion payable until 2015.

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

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

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

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

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

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

12. Investments in Associates and Joint Ventures

This account consists of:

	2014	2013
	(In Thousands)	
Acquisition cost	**₱6,638,616**	₱4,620,860
Accumulated equity in net earnings:		
Balance at beginning of year	**4,697,914**	4,384,604
Equity in net earnings during the year	**646,537**	549,741
Dividends received during the year	**(1,019,885)**	(236,431)
Balance at end of year	**4,324,566**	4,697,914
	₱10,963,182	₱9,318,774

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

	Percentages of Ownership		Carrying Amounts	
	2014	2013	**2014**	2013
Joint ventures:				
Emerging City Holdings, Inc. (ECHI)	**50%**	50%	**₱4,112,702**	₱4,178,074
Berkshires Holdings, Inc. (BHI)	**50**	50	**1,815,344**	1,854,075
Cebu District Property Enterprise, Inc. (CDPEI)	**42**	–	**1,492,009**	–
SIAL Specialty Retailers, Inc. (SIAL Specialty)	**50**	50	**332,316**	208,836
SIAL CVS Retailers, Inc. (SIAL CVS)	**50**	50	**152,511**	161,611
AyaGold Retailers, Inc. (AyaGold)	**50**	50	**43,949**	60,000
			7,948,831	6,462,596
Associates:				
Bonifacio Land Corp. (BLC)	**10**	10	**1,355,882**	1,394,561
Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)	**49**	49	**696,757**	500,950
Tianjin Eco-City Ayala Land Development Co., Ltd. (Tianjin Eco-City)	**40**	40	**483,981**	542,558
Lagoon Development Corporation (LDC)	**30**	30	**54,339**	55,047
Mercado General Hospital, Inc. (MGHI)	**33**	33	**422,392**	359,523
Others	**Various**	Various	**1,000**	3,539
			3,014,351	2,856,178
			₱10,963,182	₱9,318,774

As of December 31, 2014 and 2013, the Group had total commitments relating to the Group's interests in the joint ventures amounting to ₱975.1 million and ₱568.3 million, respectively.

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

Financial Information of the associate with material interest

BLC

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

Set out below is the summarized financial information for BLC:

	2014	2013
Current assets	**₱24,747,739**	₱23,612,217
Noncurrent assets	**20,183,121**	21,013,477
Current liabilities	**4,785,573**	4,895,150
Noncurrent liabilities	**4,903,468**	3,693,719
Equity	**₱35,241,819**	₱36,036,825
Proportion of Group's ownership	**10%**	10%
Carrying amount of the investment	**₱1,355,882**	₱1,394,561
Dividends received	**₱232,403**	₱31,931

Net assets attributable to the equity holders of BLC amounted to ₱18,221.0 million and ₱18,351.2 million as of December 31, 2014 and 2013, respectively.

	2014	2013
Revenue	**₱9,186,619**	₱8,067,041
Cost and expenses	**(5,819,431)**	(5,511,372)
Net income (continuing operations)	**3,367,188**	2,555,669
Group's share in net income for the year	**336,719**	255,567
Total comprehensive income	**3,367,188**	2,555,669
Group's share in total comprehensive income for the year	**336,719**	255,567

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

	2014	2013
Carrying amount	**₱1,658,469**	₱1,458,078
Share in loss from continuing operations	**(51,571)**	(49,655)
Share in total comprehensive loss	**(51,571)**	(49,655)

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

	2014	2013
Carrying amount	**₱7,948,831**	₱6,378,610
Share in income from continuing operations	**504,384**	465,237
Share in total comprehensive income	**504,384**	465,237

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

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

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

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

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

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

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

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

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

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

Investment in ARCH Capital Fund
In 2006, the Company and AC entered into a Shareholders' Agreement with ARCH Capital and Great ARCH Co. Limited, wherein the Company and AC committed to invest a total of US$75.0 million in a private equity fund that will explore property markets in Asia, excluding Japan and the Philippines. On the same year, an Amendment and Adherence Agreement was entered into by the same parties, together with Fine State Group Limited (Fine State) and Green Horizons Holdings Limited (Green Horizons), a wholly owned subsidiary of First Longfield, transferring the interests of AC and the Company in ARCH Capital into Fine State and Green Horizons, respectively. Fine State and First Longfield are 100%-owned Hong Kong subsidiaries of AC and the Company, respectively.

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

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

As of December 31, 2014 and 2013, the Company's remaining capital commitment with the Fund both amounted to nil.

On March 7, 2011, the Company, AC and TRG completed an exchange of ownership interests in Arch Capital and ARCH Capital Asian Partners G.P. (a Cayman Islands company), with proceeds and carrying value of the investments as of the date of exchange amounting to US$3.8 million and

US$0.4 million, respectively, resulted to a gain of US$2.9 million, net of transaction costs, lodged in "Interest and investment income" account. The exchange in ownership interest resulted in TRG acquiring the Company's 17% stake and AC's 33% interest. The completed exchange of ownership interests did not change the activities, management, focus, and shareholder structure of the ARCH Fund, with the Company retaining its current 8% interest in the fund.

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

<u>Investment in AMHRI</u>
In December 2007, the Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprised of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences.

The 7,377-square meter property developed was conveyed by the Company to AMHRI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

In 2012, the Group obtained control over AMHRI and AMHPI through step acquisition as discussed in Note 24.

<u>Investment in SIAL Specialty</u>
SIAL Specialty was incorporated on September 27, 2012 as a joint venture between Varejo and Store Specialist, Inc. (SSI). Varejo is a wholly owned subsidiary of the Company. SSI is one of the largest specialty retail companies in the Philippines with the exclusive distribution rights to a variety of brands from around the world.

The partnership, which combines the Company's expertise in developing mixed-use developments and SSI's proven track record in retail, is aimed at pursuing retail solutions to address the growing and changing lifestyle needs of the market.

SIAL Specialty was organized primarily for the investment and operation of mid-market department stores and to pursue other investment opportunities in the Philippine retail sector.

<u>Investment in SIAL CVS</u>
SIAL CVS is an equally-owned joint venture between Varejo, the Company's wholly owned subsidiary and SII, SSI's wholly owned subsidiary.

SIAL CVS shall be the vehicle for the investment in the operation of convenience stores in the Philippines. SIAL CVS capitalizes on the Company's expertise in mixed-use developments and SSI's experience in the Philippine retail market. The Parties agreed to incorporate a special purpose vehicle that shall form a partnership with FamilyMart Co. Ltd. and Itochu Corporation for the operation of FamilyMart convenience stores in the Philippines.

<u>Investment in AyaGold Retailers, Inc.</u>
AyaGold Retailers, Inc., a joint venture between Entenso Equities Incorporated (EEI, a wholly owned subsidiary of Puregold Price Club, Inc.) and Varejo Corp. (a wholly owned subsidiary of the Company and the holding company for its retail-related initiatives), was incorporated in October 2, 2013. It is organized primarily to finance, build and operate mid-market supermarkets for some of Company's new integrated and mixed-use developments. The mid-market supermarkets will be carried under a new brand to be jointly developed by both Varejo and EEI. The partnership with EEI will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Investment in MGHI
In July 2013, the Company entered into an agreement with the Mercado Family to acquire Whiteknight Holdings, Inc. (WHI), a 33% equity stockholder of MGHI. Its acquisition of WHI will allow the Company to build a strategic partnership with the Mercado Group and support MGHI's future growth. This partnership also enhances the potential of Ayala Land's development of mixed-use communities by offering the critical component of medical services to complement the residential, shopping centers, office and hotel developments therein.

Investment in Rize-Ayalaland
Rize-Ayalaland (Kingsway) GP, Inc. was incorporated on January 25, 2013 under the laws of British Columbia, Canada. The Company's effective ownership is 49% through its Vancouver-based subsidiary, AyalaLand Real Estate Investments, Inc.

Investment in Cebu District Property Enterprise, Inc.
Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between the Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue. On April 11, 2014, ALI's 50% equity was further broken down to 35% ALI, 10% CHI and 5% CPVDC.

In addition to PFRS 12 disclosure requirements, the financial information on the Company's significant subsidiary with material NCI follows:

CHI and Subsidiaries
CHI, a publicly-listed company, was incorporated in the Republic of the Philippines. It is engaged in real estate development, sale of subdivided land, residential and office condominium units, sports club shares, and lease of commercial spaces. The registered office address of the Parent Company is at 7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City, Philippines.

	2014	2013
Proportion of equity interests held by non-controlling interests	**50.2%**	50.2%
Accumulated balances of material non-controlling interests	**₱3,209,242**	₱3,324,225
Net income allocated to material non-controlling interest	**317,382**	278,221
Comprehensive income allocated to material non-controlling interest	**312,063**	274,446

The summarized financial information of CHI is provided below. This information is based on amounts before inter-company eliminations.

	2014	2013
	(Amounts in Thousands)	
Statement of financial position		
Current assets	**₱5,873,476**	₱3,678,856
Noncurrent assets	**10,514,732**	9,271,497
Current liabilities	**(3,577,942)**	(3,038,425)
Noncurrent liabilities	**(6,586,380)**	(3,990,095)
Total equity	**6,223,886**	5,921,833
Attributable to:		
Equity holders of CHI	**5,468,388**	5,174,518
Non-controlling interests	**755,498**	747,315
Dividends paid to non-controlling interests	**26,794**	26,794

	For the years ended December 31 2014	2013
Statement of comprehensive income		
Revenue	**₱2,293,579**	₱2,169,510
Cost and expenses	**(1,562,669)**	(1,435,353)
Income before income tax	**730,910**	734,157
Provision for income tax	**(165,056)**	(204,361)
Income from operations	**565,854**	529,796
Other comprehensive loss	**(6,598)**	(7,581)
Total comprehensive income	**559,256**	522,215
Attributable to:		
Equity holders of CHI	**524,279**	493,564
Non-controlling interests	**34,977**	28,651

	2014	2013
Statement of cash flows		
Operating activities	**₱1,362,600**	(₱218,375)
Investing activities	**(1,303,370)**	(1,869,332)
Financing activities	**2,070,834**	988,841
Net increase (decrease) in cash and cash equivalents	**₱2,130,064**	(₱1,098,866)

The fair value of the investment in CHI amounted to ₱4,934.2 million and ₱5,450.6 million as of December 31, 2014 and 2013, respectively.

13. Investment Properties

The rollforward analysis of this account follows:

2014

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	**₱8,164,164**	**₱61,994,661**	**₱4,118,137**	**₱74,276,962**
Additions	**1,672,466**	**4,225,907**	**7,470,659**	**13,369,032**
Disposals	**(4,921)**	**(302,656)**	**(512,272)**	**(819,849)**
Transfers (Note 35)	**(880,194)**	**5,224,265**	**(5,139,747)**	**(795,676)**
Balance at end of year	**8,951,515**	**71,142,177**	**5,936,777**	**86,030,469**
Accumulated Depreciation				
Balance at beginning of year	**–**	**15,093,598**	**–**	**15,093,598**
Depreciation	**–**	**3,056,398**	**–**	**3,056,398**
Disposals	**–**	**(26,805)**	**–**	**(26,805)**
Transfers	**–**	**9,336**	**–**	**9,336**
Balance at end of year	**–**	**18,132,527**	**–**	**18,132,527**
Net Book Value	**₱8,951,515**	**₱53,009,650**	**₱5,936,777**	**₱67,897,942**

2013

	Land	Buildings	Construction in Progress	Total
		(In Thousands)		
Cost				
Balance at beginning of year	₱3,374,751	₱52,933,651	₱6,045,270	₱62,353,672
Additions	3,229,393	2,170,065	5,511,620	10,911,078
Disposals	(45,110)	(251,306)	(16,249)	(312,665)
Transfers (Note 35)	1,605,130	7,142,251	(7,422,504)	1,324,877
Balance at end of year	8,164,164	61,994,661	4,118,137	74,276,962
Accumulated Depreciation				
Balance at beginning of year	–	12,801,993	–	12,801,993
Depreciation	–	2,472,074	–	2,472,074
Disposals	–	(180,884)	–	(180,884)
Transfers	–	415	–	415
Balance at end of year	–	15,093,598	–	15,093,598
Net Book Value	₱8,164,164	₱46,901,063	₱4,118,137	₱59,183,364

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

The aggregate fair value of the Group's investment properties amounted to ₱248,340.4 million and ₱230,553.3 million as of December 31, 2014 and 2013, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers.

The following table provides the fair value hierarchy of the Group's investment properties as of December 31, 2014 and 2013:

2014

			Fair value measurement using		
	Date of Valuation	**Total**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Land properties	**Various**	₱154,726,108	₱–	₱–	₱154,726,108
Retail properties	**Various**	**67,313,332**	–	–	67,313,332
Office properties	**Various**	**25,879,520**	–	–	25,879,520
Hospital properties	**Various**	**357,545**	–	–	357,545
Hotel properties	**Various**	**63,906**	–	–	63,906

2013

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Land properties	Various	₱147,057,559	₱–	₱–	₱147,057,559
Retail properties	Various	59,747,115	–	–	59,747,115
Office properties	Various	23,560,169	–	–	23,560,169
Hospital properties	Various	188,455	–	–	188,455

The values of the land and buildings were arrived at using the Market Data Approach and Cost Approach, respectively. In Sales Comparison Approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. In the Cost Approach, the value of the buildings is determined by the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear, and obsolescence plus an estimate of developers' profit margin.

For Sales Comparison approach, the higher the price per sqm., the higher the fair value. For Cost Approach, whose unobservable inputs include estimated costs to complete and estimated profit margin and hold and develop property to completion, the higher these costs and required profit margin, the lower the fair value.

Interest capitalized amounted to ₱76.1 million, ₱113.5 million and ₱189.9 million in 2014, 2013 and 2012, respectively (see Note 17).

Consolidated rental income from investment properties amounted to ₱16,380.0 million, ₱13,217.0 million, and ₱13,115.5 million in 2014, 2013 and 2012, respectively (see Note 21). Consolidated direct operating expenses arising from the investment properties in 2014, 2013 and 2012 amounted to ₱4,076.0 million, ₱3,345.2 million and ₱2,350.8 million, respectively (see Note 22).

Depreciation and amortization expense pertaining to investment properties amounted to ₱3,056.4 million, ₱2,472.1 million and ₱1,466.3 million in 2014, 2013 and 2012, respectively (see Note 22).

14. Property and Equipment

The rollforward analysis of this account follows:

2014

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Cost						
January 1	**₱2,373,129**	**₱6,430,117**	**₱2,893,176**	**₱1,168,420**	**₱13,695,917**	**₱26,560,759**
Additions	**420,372**	**1,435,177**	**254,786**	**162,644**	**994,919**	**3,267,898**
Disposals/Write-offs	**(148,998)**	**(755,578)**	**(217,034)**	**(92,309)**	**–**	**(1,213,919)**
Transfers (Note 35)	**138,108**	**282,735**	**(47,757)**	**(63,310)**	**(176,572)**	**133,204**
December 31	**2,782,611**	**7,392,451**	**2,883,171**	**1,175,445**	**14,514,264**	**28,747,942**
Accumulated Depreciation and Amortization						
January 1	**961,393**	**2,521,306**	**2,184,060**	**590,010**	**2,749,520**	**9,006,289**
Depreciation and amortization (Note 22)	**356,978**	**674,533**	**277,249**	**113,228**	**505,404**	**1,927,392**
Disposals	**(172,156)**	**(375,925)**	**(229,065)**	**(124,408)**	**(99,716)**	**(1,001,270)**
Transfers	**(68)**	**(1,478)**	**(7,790)**		**(45)**	**(9,381)**
December 31	**1,146,147**	**2,818,436**	**2,224,454**	**578,830**	**3,155,163**	**9,923,030**
Net Book Value	**₱1,636,464**	**₱4,574,015**	**₱658,717**	**₱596,615**	**₱11,359,101**	**₱18,824,912**

2013

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
			(In Thousands)			
Cost						
January 1	₱3,210,093	₱4,272,144	₱2,475,747	₱702,165	₱12,379,163	₱23,039,312
Additions	644,489	2,096,433	418,660	507,146	1,316,792	4,983,520
Disposals/Write-offs	(58,075)	(72,990)	(30,519)	(40,891)	(38)	(202,513)
Transfers (Note 35)	(1,423,378)	134,530	29,288	–	–	(1,259,560)
December 31	2,373,129	6,430,117	2,893,176	1,168,420	13,695,917	26,560,759
Accumulated Depreciation and Amortization						
January 1	851,102	2,042,299	1,920,272	505,750	2,367,590	7,687,013
Depreciation and amortization (Note 22)	125,464	509,944	281,360	120,915	381,968	1,419,651
Disposals	(15,124)	(30,952)	(17,947)	(36,655)	(38)	(100,716)
Transfers	(49)	15	375	–	–	341
December 31	961,393	2,521,306	2,184,060	590,010	2,749,520	9,006,289
Net Book Value	₱1,411,736	₱3,908,811	₱709,116	₱578,410	₱10,946,397	₱17,554,470

The consolidated depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱1,927.4 million, ₱1,419.7 million and ₱1,241.6 million in 2014 and 2013, respectively. In 2014 and 2013, interest capitalized amounted to ₱16.7 million and ₱5.6 million, respectively (see Note 17).

15. Other Noncurrent Assets

Other noncurrent assets totaling ₱6,563.2 million and ₱6,421.7 million as of December 31, 2014 and 2013, respectively consist of deferred charges, deposits, pension assets (see Note 26) and other assets.

As of December 31, 2014 and 2013, this account also includes leasehold right of a subsidiary amounting to ₱100.1 million and ₱106.8 million, respectively. This pertains to the right to use an island property expiring on December 31, 2029. The cost amounted to ₱127.4 million and accumulated amortization as of December 31, 2014 and 2013 amounted to ₱27.2 million and ₱20.6 million, respectively. Amortization expense (included under "Hotels and resorts operations") amounted to ₱6.7 million in each period (see Note 22).

16. Accounts and Other Payables

This account consists of:

	2014	2013
	(In Thousands)	
Accounts payable	**₱56,561,359**	₱47,070,269
Accrued project costs	**17,321,785**	11,983,222
Taxes payable	**11,021,327**	5,702,543
Accrued professional and management fees	**2,311,215**	1,331,565
Accrued advertising and promotions	**2,217,059**	1,089,345
Accrued salaries and employee benefits	**2,215,428**	1,668,323
Accrued utilities	**1,960,472**	1,381,483
Payable to related parties (Note 25)	**1,895,085**	3,835,367
Interest payable	**1,512,878**	1,335,221
Accrued repairs and maintenance	**1,485,352**	1,496,922
Accrued rentals	**1,232,153**	677,345
Retentions payable	**102,435**	155,548
Dividends payable	**67,509**	129,350
Other accrued expenses	**4,627,879**	1,621,661
	₱104,531,936	₱79,478,164

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 30- to 60-day terms.

Other accrued expenses consist mainly of accruals for light and power, marketing costs, film share, professional fees, postal and communication, supplies, transportation and travel, security, insurance and representation.

17. Short-term and Long-term Debts

The short-term debt of ₱16,302.3 million and ₱12,407.1 million as of December 31, 2014 and 2013 represents unsecured peso-denominated bank loans and dollar-denominated bank loans.

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

	2014	2013
Philippine Peso	**2.0% to 3.0%**	1.2% to 5.2%
US Dollar	**1.1% to 1.2%**	1.1% to 2.0%

Interest expense for dollar-denominated bank loans amounted to ₱1,661.5 million and ₱1,679.9 million in 2014 and 2013 respectively.

Long-term debt consists of:

	2014	2013
	(In Thousands)	
Company:		
Bonds:		
Due 2014	**₱–**	₱620,195
Due 2015	**986,710**	992,460
Due 2016	**1,982,700**	1,999,650
Due 2019	**9,350,000**	9,350,000
Due 2020	**4,000,000**	4,000,000
Due 2022	**5,650,000**	5,650,000
Due 2024	**15,000,000**	15,000,000
Due 2025	**8,000,000**	–
Due 2033	**2,000,000**	2,000,000
Floating rate corporate notes (FRCNs)	**1,000,000**	1,000,000
Fixed rate corporate notes (FXCNs)	**14,429,200**	14,480,000
US Dollar - denominated long term loan	**2,360,545**	2,598,661
	64,759,155	57,690,966
Subsidiaries:		
Bank loans - Philippine Peso	**34,314,451**	25,169,027
Bank loans - US Dollar	**4,724,017**	4,994,806
Fixed rate corporate notes	**5,000,000**	2,000,000
	44,038,468	32,163,833
	108,797,623	89,854,799
Less unamortized transaction costs	**434,266**	359,970
	108,363,357	89,494,829
Less current portion	**5,066,903**	3,542,152
	₱103,296,454	₱85,952,677

Company

Philippine Peso Homestarter Bond due 2014

In 2011, the Company launched a new issue of the Homestarter Bond. The bond is to be issued over a series of 36 issues, once every month which commenced on May 16, 2011, with an initial issue amount of up to ₱56.0 million or up to an aggregate issue amount of ₱2.0 billion over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for a property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is also subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2014 and 2013, outstanding bond issued amounted to nil and ₱620.2 million, respectively.

Philippine Peso Homestarter Bond due 2015
In October 2012, the Company issued ₱1,000.0 million bond due 2015 with fixed rate equivalent to 5.00% p.a. The Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a AAA issuer rating on the Company indicating that it has the smallest degree of investment risk for the bond. AAA is the highest credit rating possible on CRISP's rating scale for issuers. CRISP also assigned a stable credit outlook for Company's issuer rating as CRISP continues to believe that the Company's strong financial performance will continue and roll out of its new development projects will sustain its leadership position.

Philippine Peso Homestarter Bond due 2016
In May 2013, the Company issued the second tranche of the bonds registered with the Securities and Exchange Commission in 2012, at an aggregate principal amount of ₱2,000.0 million. The bonds have a term of three (3) years from the issue date, and will bear interest on its principal amount at a fixed rate of 4.00% p.a. Interest will not be compounded and shall be payable on maturity date or on the date of effectivity of an Early Downpayment Application, as may be applicable, less the amount of any applicable withholding taxes.

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022
In April 2012, the Company issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond due 2019 at a fixed rate equivalent to 5.625% p.a. and a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6.000% p.a. The PhilRatings assigned a PRS AAA rating on the bonds indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS AAA is the highest credit rating possible on PhilRatings' rating scales for long-term issuances.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033
In October 2013, the Company issued a total of ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.625% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.000% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 10-year and 6-month Bonds due 2024
In July 2013, the company issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 8.0 Billion Fixed Rate Bonds due 2025
In April 2014, the Company issued a total of ₱8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.625% p.a. The Bonds have been rated PRS Aaa by Philippine Rating Services Corporation ("PhilRatings"), indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

Philippine Peso 7-year FRCN due 2016
In October 2009, the Company executed a ₱1,000.0 million committed FRCN facility with a local bank, of which an initial ₱10.0 million was drawn on October 12, 2009. The balance of ₱990.0 million was subsequently drawn on November 18, 2011. The FRCN bears a floating interest rate based on the 3-month PDST-R1 plus a spread of 0.96%, repriceable quarterly. The FRCNs will mature on October 12, 2016, the seventh anniversary of the initial drawdown date.

Philippine Peso 5-, 7- and 10-year FXCNs due 2011, 2013 and 2016
In September 2006, the Company issued ₱3,000.0 million FXCNs consisting of 5-, 7- and 10-year notes issued to various financial institutions and will mature on various dates up to 2016. The FXCNs bear fixed interest rates ranging from 7.25% to 7.75% p.a. depending on the term of the notes. In January 2011, simultaneous to a new corporate note offering, the Company undertook a liability management exercise by offering to prepay holders of the corporate notes issued in 2006 while inviting the same institutions to participate in the new issuance. A number of investors holding up to ₱875.0 million of notes maturing in 2013 and 2016 accepted the offer to be prepaid. On September 23, 2011, the 5-year and one (1) day FXCNs amounting to ₱1,830.0 million matured and were fully repaid by the Company. Subsequently in September 2013, the balance of the 7-year FXCNs amounting to ₱195.0 million matured and was fully repaid by the Company. As of December 31, 2014 and 2013, outstanding balance both amounted to ₱100.0 million.

Philippine Peso 5-, 7- and 10-year FXCN due 2014, 2016 and 2019
In January 2009, the Company issued an aggregate ₱2,380.0 million in 5-, 7- and 10-year notes to various financial institutions and retail investors. The notes will mature on various dates up to 2019. The FXCNs bear fixed interest rates ranging from 7.76% to 8.90%.₱220.0 million and ₱830.0 million notes due in 2014 and 2016, respectively were prepaid on January 28, 2013.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026
In January 2011, the Company issued ₱10.0 billion FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.62% to 7.50% p.a. depending on the term of the notes. The Company prepaid ₱1.95 billion of notes due in 2016 on January 19, 2013. In 2014, the Company paid ₱50.8 million for the matured portion of the loan.

Philippine Peso 10-year Note due 2022
In December 2012, the Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.50%. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date.

US Dollar-denominated Long-term Loan
In October 2012, the Company executed and fully withdrawn a US$58.5 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriceable quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014, the Company made a partial prepayment of US$5.75 million on the loan.

<u>Subsidiaries</u>
The subsidiaries' loans will mature on various dates up to 2024. Peso-denominated loans bear floating interest rates at 60 bps to 80 bps spread over the benchmark 91-day PDST-R1/R2 and fixed interest rates of 3.26% to 10.21% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates at the Overnight Reverse Repurchase Agreement Rate of the BangkoSentral ng Pilipinas (BSP Overnight Rate) or at the BSP Overnight Rate plus a spread of 20 bps to 75 bps. Dollar-denominated loans bear floating interest rates at a credit spread over the benchmark three-month US. Certain term loan facilities of various subsidiaries are secured by real estate mortgage over properties with a total carrying value of ₱24.5 billion as of December 31, 2014. Dollar LIBOR, repriceable quarterly. The loan agreements contain some

or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/ subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as of December 31, 2014 and 2013.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021
Cebu Holdings, Inc. raised from the Bonds gross proceeds of ₱5.0 billion. After issue-related expenses, actual net proceeds amounted to approximately ₱4.95 billion. Net proceeds were used to partially finance various projects including, but not limited to, 1016 Residences (₱130 million), Parkpoint Residences (₱519.0 million), Amara (₱422.0 million), Sedona Parc (₱30.0 million), construction of ACC Corporate Center (₱1,094.0 million), Land Acquisition (₱1,175.0 billion) and Investment to CITP Redevelopment (₱1,580.0 billion).

The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of debt-to-equity ratio; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all assets. These restrictions and requirements were complied with by the Group as of December 31, 2014 and 2013.

Interest capitalized amounted to ₱142.2 million and ₱180.7 million in 2014 and 2013, respectively. The capitalization rates are 4.36-5.49% in 2014 and 0.50-8.20% in 2013.

Transaction costs capitalized amounted to ₱138.1 million and ₱202.6 million in 2014 and 2013, respectively. Amortization amounted to ₱63.8 million and ₱35.0 million in 2014 and 2013, respectively and included under “Interest and other financing charges” (see Note 22). In 2013, the Company charged to expense the ₱7.6 million transaction costs related to the ₱1,950.0 million loan prepaid.

18. Deposits and Other Current Liabilities

Deposits and other current liabilities which amounted to ₱8,897.8 million and ₱5,139.2 million as of December 31, 2014 and 2013, respectively, consist of tenants’ deposits and construction bonds which will be applied against the rent and service due.

19. Deposits and Other Noncurrent Liabilities

Deposits and other noncurrent liabilities consist of:

	2014	2013
	(In Thousands)	
Deposits	**₱15,422,211**	₱11,636,361
Estimated liability on property development	**3,999,529**	–
Retentions payable	**3,952,568**	3,654,350
Liability for purchased land	**203,329**	7,260,101
Other liabilities (Note 25)	**1,081,401**	795,422
	₱24,659,038	₱23,346,234

Deposits are initially recorded at fair value, which was obtained by discounting its future cash flows using the applicable rates of similar types of instruments.

Estimated liability on property development is the estimate for additional project costs to be incurred for future developments.

Retentions payable pertains to the amount withheld by the Company on contractors' billings to be released after the guarantee period, usually one year after the completion of the project. The retention serves as a security from the contractor should there be defects in the project.

20. **Equity**

The details of the number of shares follow:

	2014		2013	
	Preferred	**Common**	Preferred	Common
	(In Thousands)			
Authorized	15,000,000	20,000,000	15,000,000	20,000,000
Issued	13,066,495	14,187,052	13,066,495	14,063,902
Subscribed	–	3,437	–	109,385
Outstanding	13,066,495	14,190,489	13,066,495	14,173,287

Preferred Shares
The Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.64% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a company's Filipino-ownership level:

a. Redemption and retirement of the 13.0 billion outstanding preferred shares.
b. Reclassification of the 1.97 billion unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
c. Increase in authorized capital stock by ₱1.3 billion creating new voting preferred shares and a stock rights offer of 13.0 billion voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges (a) voting; (b) dividend rate of 4.74786% per annum, equivalent to 90% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and, (g) preferred in liquidation to the extent of par value.

The SEC approved on January 31, 2013 the following:
a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 million preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and
b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

Common Shares
On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Company or for cash to acquire properties or assets needed for the business of the Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Company's Stock Option Plans for members of the management committees of the Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Company to include the members of the Management Committees of the Company's subsidiaries and affiliates as eligible grantees of stock options.

The rollforward analysis of the outstanding number of common shares follows:

	2014	2013
	(In Thousands)	
At beginning of year	**14,173,287**	13,752,033
Additional subscriptions	**17,202**	341,726
Reissuance of treasury shares	**–**	79,528
At end of year	**14,190,489**	14,173,287

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Company.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On March 6, 2013, the Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Company to certain qualified third party buyers or investors at ₱30.50 per share. The Company completed the top-up placement, raising an aggregate of ₱12.2 billion in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20 per share, and the issuance of equal number of new shares of the Company, at the same price of ₱20 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Company completed the top-up placement, raising an aggregate of ₱13.6 billion in paid up capital. The price was at 4.988% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On July 5, 1991, the Company launched its Initial Public Offering where a total of 400.00 million common shares were offered at an offering price of ₱26 per share. The registration statement was approved on July 20, 1992. The Company has 9,927 and 10,146 existing certified shareholders as of December 31, 2014 and 2013, respectively.

Treasury Shares
The amendment of the Articles of Incorporation on April 17, 2013 allowed the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at ₱30.5 per share resulting to additional paid-in capital of ₱1,601.6 million.

On July 16, 2012, the Company redeemed the 13.0 billion outstanding non-voting preferred shares through payment of the redemption price of ₱0.10 per share. As of December 31, 2012, the redeemed preferred shares were treated as treasury shares and were subsequently retired upon approval of the Company's SEC application for the decrease in authorized capital stock on January 31, 2013.

On August 12, 2008, the BOD approved a share buyback program. It is part of the Company's balance sheet management program and aims to (i) improve the Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Company as not reflective of its fair corporate value.

In 2008, the Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program.

Retained Earnings
The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.41, ₱0.29 and ₱0.21 per share in 2014, 2013 and 2012, respectively, to all issued and outstanding shares.

On August 28, 2014, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.206 per share. The cash dividend is payable on September 26, 2014 to stockholders of common shares as of record date.

On February 21, 2014 and February 19, 2013, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends at the dividend rate of 4.75% p.a., to all issued and outstanding preferred shares.

Retained earnings of ₱6.0 billion are appropriated for future expansion. The amount represents a continuing appropriation for land banking activities and planned building construction projects. Each year, the Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Company. In 2015, it is expected that the capital expenditure requirement will exceed the ₱6.0 billion appropriation, hence the Company will provide future appropriation as the need arises.

The Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Company's mixed-use developments.

The following are among the major capital expenditures of the Company which were approved by the BOD:

a) Soliento in Nuvali, an Ayala Land Premier with a total of 462 lots clustered into pocket neighborhoods with an average of 15 lots per cluster was approved on February 21, 2014.

b) Arbor Lanes Block 1 in Arca South (former FTI Complex), the first residential development to break ground in Arca South with over 208 units of new Duo Suite 1BR to 3BR configurations was approved on April 7, 2014.

c) High Park Tower 1, Alveo's first tower in Vertis North, a residential condominium promising "Vertical Park Living in the Enterprise Capital of the North" with a total of 642 units was approved on April 7, 2014.

d) Verve 2 Residences by Alveo Bonifacio Global City with a total of 451 units was approved on April 7, 2014.

e) Makati North Gateway, a mixed-use project, on a 7.6k sqm. parcel at the end of Ayala Avenue and a significant leasing business income for the Company with product offering of Two Grade A Office HQ/BPO Buildings, Seda Suites Serviced Apartment, Retail and Civic Space was approved on May 26, 2014.

f) Courtyards Phase 1 in Cavite by ALP offers a new, exclusive, accessible suburban residential community characterized by its courtyards concept with a total of 415 lots was approved on May 26, 2014.

g) Southfield Settings by Avida in Nuvali with 419 residential lots was approved in August 28, 2014.

h) Arca South Phase 1, a mixed-use project and the Company's new business and lifestyle district in the City of Taguig with a lifestyle mall, 6 BPO towers and a 266-room Seda hotel was approved on November 25, 2014.

i) The Alcoves, a mixed-use ALP condominium project in Cebu with a total of 480 units was approved on November 25, 2014.

j) CITP Superblock, a mixed-use project in Cebu Business District with 2 BPO Offices, a retail and a 214-room Seda Hotel was approved on November 25, 2014.

Retained earnings also include undistributed net earnings amounting to ₱31,419.4 million and ₱26,394.8 million as of December 31, 2014 and 2013, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures. These are not available for dividend distribution unless declared by subsidiaries and other investees.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Company's retained earnings available for dividend declaration as of December 31, 2014 and 2013 amounted to ₱27.4 billion and ₱23.6 billion, respectively.

Equity Reserves
In 2014, the Company acquired additional shares from non-controlling interests of PhilEnergy, NTDCC and Ceci (see Note 2). The transactions were accounted as an equity transaction since there was no change in control. Following is the schedule of the movement in equity reserves recorded within the equity:

	Consideration paid	Carrying value of Non-controlling interests	Difference recognized within Equity
		(In Thousands)	
40.00% in PhilEnergy	₱325,720	₱324,680	(₱1,040)
14.53% in NTDCC	1,071,561	310,814	(760,747)
0.40% in Ceci	13,665	14,873	1,208
	₱1,410,946	₱650,367	(₱760,579)

In 2013, the Company acquired additional 32% interest in APPCo and additional 40% interests in TKDC and TKPI increasing its ownership interest to 100% (see Note 24).

On March 25, 2013, the Company increased its equity interest in API to 77.8% from 70.0% with the acquisition of a portion of the shares of Coromandel, Inc. (see Note 2).

In 2011, the Company sold its 40% interest in PhilEnergy for ₱137.0 million. The difference between the consideration and carrying amount of sold investment recognized as equity reserves amounted to ₱9.0 million (see Note 2).

Capital Management
The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2014 and 2013, the Group had the following ratios:

	2014	2013
Debt to equity	**102.3%**	90.9%
Net debt to equity	**73.8%**	54.5%

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and financial assets at FVPL (net of Investment in ARCH Capital Fund). Equity, which the Group considers as capital, pertains to the total equity. The Group excludes the "unrealized gain on AFS financial assets" attributable to the equity holders of the Company in computing the debt to equity ratio.

The Group is subject to externally imposed capital requirements due to loan covenants (see Note 17). No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2014 and 2013.

Financial risk assessment
The Group's financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Group's ratio of fixed to floating rate debt stood at 74:26 and 69:31 as of December 31, 2014 and 2013, respectively. As a result, any adverse movement in interest rates is mitigated.

Exposure to foreign currency holdings is at US$24.31 million and US$33.4 million as of December 31, 2014 and 2013, respectively.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on cash equivalents, short term investment and financial assets at FVPL.

21. Real Estate Revenue

This account consists of:

	2014	2013	2012
		(In Thousands)	
Land and residential unit sales	**₱58,951,882**	₱50,573,524	₱33,765,113
Leasing (Note 13)	**16,380,025**	13,754,732	13,115,496
Hotels and resorts	**5,575,822**	4,260,709	2,451,992
Construction	**5,015,949**	4,377,951	4,313,717
Management and marketing fees	**3,103,856**	3,370,518	1,059,109
	₱89,027,534	₱76,337,434	₱54,705,427

In 2013, leasing includes revenue from retail sale of electricity to various locators in the Group's industrial estate which amounted to ₱537.7 million.

22. Other Income and Costs and Expenses

Other income consists of:

	2014	2013	2012
		(In Thousands)	
Marketing and management fees	**₱619,599**	₱333,464	₱349,018
Others - net (Note 25)	**86,396**	764,074	64,703
	₱705,995	₱1,097,538	₱413,721

In 2013, other income mainly consists of gain on sale of waterworks and sewerage facilities (see Note 25). Other income consists of gain on sale of equipment, equipment and other properties, and foreign exchange gains and losses. It also includes reversal of impairment losses amounting to nil, ₱1.3 million and ₱46.3 million in 2014, 2013 and 2012, respectively (see Note 7).

In 2014, 2013 and 2012, the financial impact of net foreign exchange transactions included under other income amounted to ₱31.8 million loss, ₱369.1 million loss and ₱106.8 million gain, respectively.

Real estate costs and expenses consist of:

	2014	2013	2012
		(In Thousands)	
Cost of real estate sales (Note 8)	**₱37,006,245**	₱29,649,634	₱21,107,170
Depreciation and amortization	**4,019,302**	3,180,835	2,259,257
Hotels and resorts operations	**3,705,636**	3,195,851	2,008,885
Marketing and management fees	**3,393,053**	2,601,995	2,369,499
Materials and overhead	**1,569,860**	852,987	1,328,907
Rental	**1,152,902**	1,593,726	1,330,242
Manpower costs	**887,113**	1,791,747	1,319,615
Direct operating expenses:			
Taxes and licenses	**1,732,634**	1,435,457	1,120,372
Professional fees	**1,694,840**	1,265,546	672,651
Light and water	**1,537,749**	2,955,303	940,917
Repairs and maintenance	**882,413**	758,653	769,407
Commission	**503,294**	105,974	83,362
Insurance	**137,221**	114,467	115,122
Entertainment, amusement and recreation	**119,582**	17,870	11,453
Transportation and travel	**77,164**	110,368	77,837
Others	**976,605**	2,208,773	1,511,014
	₱59,395,613	₱51,839,186	₱37,025,710

General and administrative expenses consist of:

	2014	2013	2012
		(In Thousands)	
Manpower costs (Notes 26 and 28)	**₱3,500,362**	₱3,631,365	₱2,883,362
Professional fees	**481,099**	284,698	377,056
Taxes and licenses	**468,740**	325,581	180,982
Depreciation and amortization	**467,925**	304,350	266,231
Utilities	**271,010**	194,418	160,871
Repairs and maintenance	**155,778**	116,877	123,013
Rent	**134,202**	123,509	94,455
Transport and travel	**122,600**	122,382	87,448
Security and janitorial	**109,154**	47,317	49,169
Insurance	**100,793**	74,183	57,536
Advertising	**87,505**	77,079	70,335
Supplies	**49,739**	39,767	69,406
Training and seminars	**45,899**	38,687	22,547
Dues and fees	**39,894**	25,525	32,475
Entertainment, amusement and recreation	**30,252**	25,336	57,839
Donations and contribution (Note 32)	**26,989**	316,650	22,025
Others	**111,192**	181,612	171,818
	₱6,203,133	₱5,929,336	₱4,726,568

Manpower costs included in the consolidated statements of income follows:

	2014	2013	2012
		(In Thousands)	
Real estate costs and expenses			
Cost of real estate	**₱869,304**	₱1,791,747	₱1,319,615
Hotels and resorts operations	**17,809**	382,232	310,760
General and administrative expenses	**3,500,362**	3,631,365	2,883,362
	₱4,387,475	₱5,805,344	₱4,513,737

Depreciation and amortization expense included in the consolidated statements of income follows:

	2014	2013	2012
		(In Thousands)	
Real estate costs and expenses:			
Cost of real estate	**₱4,019,302**	₱3,180,835	₱2,259,257
Hotels and resorts operations	**503,238**	413,216	189,049
General and administrative expenses	**467,925**	304,350	266,231
	₱4,990,465	₱3,898,401	₱2,714,537

Interest and other financing charges consist of:

	2014	2013	2012
		(In Thousands)	
Interest expense on:			
Short-term debt (Note 17)	**₱574,398**	₱815,954	₱162,781
Long-term debt (Note 17)	**4,620,725**	2,919,498	2,307,370
Other financing charges	**170,593**	380,103	794,843
	₱5,365,716	₱4,115,555	₱3,264,994

Other charges consist of:

	2014	2013	2012
		(In Thousands)	
Provision for impairment losses on:			
Receivables (Note 7)	**₱139,627**	₱172,678	₱52,621
Investments in associates and joint ventures (Note 12)	**–**	–	58,996
Investment properties (Note 13)	**–**	–	19,500
AFS financial asset (Note 10)	**–**	–	16,771
Other current assets (Note 9)	**–**	276,129	67,166
Provisions, write-offs and other charges	**236,170**	230,123	152,242
	₱375,797	₱678,930	₱367,296

23. **Income Tax**

The components of deferred taxes are as follows:

Net deferred tax assets:

	2014	2013
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱4,054,553**	₱3,358,688
Retirement benefits	**1,436,783**	1,176,218
Allowance for probable losses	**1,051,452**	1,020,409
Advanced rentals	**130,745**	4,646
Accrued expenses	**78,602**	28,711
Outstanding share-based payments	**62,794**	87,265
Unrealized foreign exchange losses	**47,028**	52,095
Others	**155,716**	45,566
	7,017,673	5,773,598
Deferred tax liabilities on:		
Capitalized interest and other expenses	**(557,149)**	(592,732)
Unrealized foreign exchange gain	**(2,305)**	(1,569)
Others	**(847)**	(18,251)
	(560,301)	(612,552)
	₱6,457,372	₱5,161,046

Net deferred tax liabilities:

	2014	2013
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱131,721**	₱281,851
Allowance for probable losses	**71,020**	51,595
NOLCO	**42,006**	36,810
Retirement benefits	**38,937**	–
Advanced rentals	**25,870**	68,570
Others	**27,184**	24,282
	336,738	463,108
Deferred tax liabilities on:		
Difference between tax and book basis of accounting for real estate transactions	**(1,258,928)**	(304,700)
Fair value adjustment arising from business combination	**(839,096)**	(1,291,580)
Prepaid expenses	**(134,665)**	(149,972)
Capitalized interest and other expenses	**(63,801)**	–
Unrealized foreign exchange gain	**(4,141)**	(3,000)
Others	**(3,236)**	(20,373)
	(2,303,867)	(1,769,625)
	(₱1,967,129)	(₱1,306,517)

Certain subsidiaries of the Company have NOLCO amounting to ₱410.0 million and ₱158.3 million as of December 31, 2014 and 2013, respectively and MCIT amounting to ₱2.6 million and ₱22.5 million as of December 31, 2014 and 2013, respectively. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. As of December 31, 2014, total unrecognized NOLCO and MCIT amounted to ₱114.7 million and ₱2.5 million, respectively. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

The carryover NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

NOLCO:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2011	₱32,948	₱32,948	₱–	2014
2012	52,219	66	52,153	2015
2013	118,649	14,713	103,936	2016
2014	253,920	–	253,920	2017
	₱457,736	₱47,727	₱410,009	

MCIT:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2011	₱1,304	₱1,304	₱–	2014
2012	291	259	32	2015
2013	4,087	3,582	505	2016
2014	2,048	–	2,048	2013
	₱7,730	₱5,145	₱2,585	

Reconciliation between the statutory and the effective income tax rates follows:

	2014	2013
Statutory income tax rate	**30.00%**	30.00%
Tax effect of:		
Interest income and capital gains taxed at lower rates	**(1.14)**	(1.06)
Interest income subject to final tax and income under tax holiday (Note 31)	**(1.53)**	(1.22)
Equity in net earnings of associates and joint ventures	**(1.32)**	(1.55)
Others – net	**(0.26)**	(1.62)
Effective income tax rate	**25.75%**	24.55%

Board of Investments (BOI) Incentives

Ecosouth Hotel Ventures, Inc

On April 1, 2014, the Board of Investment issued in favor of Ecosouth Hotel Ventures, Inc. (EHVI) a Certificate of Registration as a New Operator of Tourist Accommodation Facility on a non-pioneer status for its project in Seda Nuvali, Laguna. Under the terms of the registration and subject to certain requirements, EHVI is entitled to income tax holiday for a period of four (4) years from June 2014 or actual start of commercial operations, whichever is earlier.

BellaVita

On March 5, 2013, the BOI issued in favor of BellaVita, a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for BellaVita – Alaminos located at Brgy. San

Andres, Alaminos, Laguna. The project has been granted an income tax holiday for a period of four (4) years commencing from March 2013.

On August 30, 2012, the BOI issued in favor of BellaVita, Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for BellaVita – General Trias Phases 1, 2 & 3 located at Brgy. Tapia, General Trias, Cavite. The project has been granted an income tax holiday for a period of four (4) years commencing from August 2012.

Amaia

On March 19, 2013, the BOI issued in favor of Amaia, a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Skies Sta. Mesa – South Tower located at V. Mapa, cor. Valenzuela St., Sta. Mesa, Manila, Amaia Steps Sucat Phase 1 (6 Bldgs.) located at 8333 & 8337 Dr. A. Santos Avenue, Parañaque City, and Amaia Steps Pasig (ph1A) located at Eusebio Avenue, Brgy. San Miguel, Pasig City. These projects have been granted an income tax holiday for a period of three (3) years commencing from March 19, 2013.

On March 22, 2013, the BOI issued in favor of Amaia, a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Skies Avenida – North Tower located at T. Mapua corner Doroteo Jose & Rizal Avenue, Sta. Cruz, Manila. The project has been granted an income tax holiday for a period of three (3) years commencing from March 22, 2013.

On April 1, 2013, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Scopes Tarlac located at Brgy. Estrada, Capas, Tarlac. The project has been granted an income tax holiday for a period of four (4) years commencing from April 1, 2013.

On May 29, 2013, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Steps Bicutan located at West Service Road corner Sun Valley Drive, Brgy. Sun Valley, Parañaque City. The project has been granted an income tax holiday for a period of three (3) years commencing from May 29, 2013.

On September 30, 2013, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project (expansion) for Amaia Skies Cubao Tower 2 located at 5th Ave., cor. P. Tuazon, Brgy. Socorro, Quezon City. The project has been granted an income tax holiday for a period of three (3) years commencing from September 30, 2013.

On May 4, 2012, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Scapes North Point located in Brgy. Minulu-an and Matab-ang, Talisay City, Negros Occidental. Pursuant thereto, the project has been granted an income tax holiday for a period of four (4) years commencing from May 2012.

On June 28, 2012, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Steps Novaliches and Amaia Skies Cubao Tower 1. Amaia Steps project is located at Susano Road, Brgy.170, Zone 15, Depara, Caloocan City and in Brgy. San Agustin in Novaliches, Quezon City while Amaia Skies, on the other hand, is located in P. Tuazon Blvd. corner 5th Avenue, Brgy. Socorro in Cubao, Quezon City. These projects have been granted an income tax holiday for a period of three (3) years commencing from June 2012.

On June 28, 2012, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Amaia Scapes Cavite located in Brgy. Santiago, General Trias, Cavite. Pursuant thereto, project has been granted an income tax holiday for a period of four (4) years commencing from June 2012.

On October 11, 2012, the BOI issued in favor of Amaia a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Cabanatuan and Amaia

Scapes Lipa. The projects are located in Bangad, Cabanatuan, Nueva Ecija and Sto.Tomas, Lipa Road, Brgy. Dagatan, Lipa City, Batangas, respectively. These projects have been granted an income tax holiday for a period of four (4) years commencing from October 2012.

On March 23, 2011, the BOI issued in favor of Amaia a Certificate of Registration as New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Laguna, Brgy. Barandal, Calamba City, Laguna. Pursuant thereto, the project has been granted an Income Tax Holiday for a period of four (4) years commencing from March 2011.

Avida

On November 12, 2012, the BOI issued in favor of Avida a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Avida Towers Intima Tower 1, Brgy. 678 Zone 74, 497 Pres. Quirino Ave. Ext. cor. Zulueta St., Paco, Manila in accordance with the Omnibus Investment Code of 1987 (Executive Order No. 226). Pursuant thereto, the project has been granted an Income Tax Holiday for a period of three (3) years commencing from November 2012.

On November 13, 2012, the BOI issued in favor of Avida a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for Avida Towers Riala Tower 1, Cebu IT Park, Brgy. Apas, Cebu City in accordance with the Omnibus Investment Code of 1987 (Executive Order No. 226). Pursuant thereto, the project has been granted an Income Tax Holiday for a period of four (4) years commencing from November 2012.

On December 13, 2011, the BOI issued in favor of Avida a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Avida Towers Cebu Tower 1, Asiatown I.T. Park, Lahug, Cebu City. The project has been granted an Income Tax Holiday for a period of four (4) years commencing from December 2011.

On December 14, 2011, the BOI issued in favor of Avida a Certificate of Registration as an Expanding Developer of Low-Cost Mass Housing Project for its Avida Towers San Lazaro Tower 5, Lot 5 E Block 50 C Pista St., Brgy. 350, Zone 035 Sta. Cruz, Manila , Avida Towers Cebu Tower 2, Asiatown I.T. Park, Lahug, Cebu City and Avida Towers Sucat Tower 7, Dr. A. Santos Ave., Brgy. San Dionisio, Parañaque City. The projects have been granted an Income Tax Holiday for a period of three (3) years commencing from December 2011.

On February 9, 2010, the BOI issued in favor of Avida a Certificate of Registration as an Expanding Developer of Low-Cost Mass Housing Project for its Celadon Park Tower 2, Felix Huertas Street, Manila in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the project has been granted an Income Tax Holiday for a period of three (3) years commencing from February 2010.

AMHPI

In December 2007, AMHPI was registered with the Board of Investments (BOI) as a new tourist accommodation facility on a pioneer status particularly for the operations of the Fairmont Hotel Makati and Raffles Residences Manila (the Project) upon its completion. The Project represents a combined hotel facility and complex of residential units. Under the terms of the registration and subject to certain requirements, AMHPI is entitled to the following fiscal and non-fiscal incentives, among others; (a) income tax holiday for a period of six years from January 2011 or actual start of commercial operations, whichever is earlier; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for ten years from start of commercial operations; (e) simplifications of customs procedures for the importation of equipment, spare parts, raw materials and supplies; and (f) importation of consigned equipment for a period of 10 years from start of commercial operations.

24. Business Combinations and Acquisition of Non-controlling Interests

Business Combinations

ALI Makati Hotel & Residences, Inc. (AMHRI) and ALI Makati Hotel Property, Inc. (AMHPI)
On October 2, 2012, AHRC, a wholly owned subsidiary of the Company, entered into an agreement to acquire the interests of Kingdom Manila B.V., an affiliate of Kingdom Hotel Investments (KHI), and its nominees in KHI-ALI Manila Inc. (now renamed AMHRI) and 72,124 common shares in KHI Manila Property Inc. (now renamed AMHPI).

AMHRI and AMHPI are the project companies of the Fairmont Hotel and Raffles Suites and Residences project in Makati which opened in December 2012.

Prior to the acquisition, the Company effectively owned 20% economic interest in AMHRI and AMHPI (see Note 12). The Company acquired the remaining 80% interest in AMHRI and AMHPI for a total consideration of ₱2,430.4 million.

This acquisition is in line with KHI's value realization strategy and with the Company's thrust to grow its commercial leasing business. 32 Raffles Suites and 280 Fairmont Hotel rooms were added to AHRC's growing hotel portfolio. The continuing sale of units in the Raffles Residences will also generate immediate cash, while the operations of the hotel and serviced apartments will augment and diversify the sources of recurring revenue. Furthermore, this landmark project will complement the various offerings of the Makati Central Business District, and fortify its position as the country's premier financial district.

The fair value of the Company's interest prior to the acquisition amounting to ₱769.0 million was determined using the adjusted net asset value method. Remeasurements of the Company's equity interest in both companies resulted to the recognition of a gain (included under "interest and investment income") amounting to ₱593.9 million.

In 2013, the Company finalized its purchase price allocation. Changes to the fair market values of the assets acquired and liabilities assumed noted are retroactively applied in the 2012 balances.

The following are fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash	₱1,334,000
Trade and other receivables	1,708,000
Real estate inventories	936,000
Other current assets	202,000
Hotel property and equipment (Note 14)	5,421,000
	9,601,000
Liabilities	
Accounts and other payables	2,162,000
Loans payable	3,594,000
Deferred tax liabilities	633,698
	6,389,698
Total net assets acquired	3,211,302
Acquisition cost	3,199,432
Negative goodwill	₱11,870

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From October 2 to December 31, 2012, the Group's share in AMHRI and AMHPI's revenue and net loss amounted to ₱898.9 million and ₱96.4 million, respectively. If the combination had taken place at the beginning of 2012, the Group's total revenue would have been ₱64,269.7 million, while the Group's net income would have been ₱10,641.3 million.

TKPI and TKDC
The Company entered into an agreement with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) to create a company which will serve as a holding vehicle for TKPI and TKDC (wholly owned subsidiaries of the ACC Group prior to the Company's involvement). TKPI and TKDC are mainly involved in the development of parcels of land and islands into resorts in Miniloc, Lagen, Pangulasian and Apulit islands in the municipalities of El Nido and Taytay in Northern Palawan.

The agreement eventually resulted in the Company obtaining 60% interest in the new company for a total consideration of ₱2,000.0 million and ACC Group acquiring the remaining 40% interest.

The Company subscribed to 60% of the shares of TKPI and TKDC, thereby providing the Company with the ability to exercise control over TKPI and TKDC effective April 23, 2010. Accordingly, TKPI and TKDC financial statements were consolidated on a line-by-line basis with that of the Group as of December 31, 2010.

The following were the fair values of the identifiable assets and liabilities assumed (in thousands) at the time of acquisition:

Assets	
Cash and cash equivalents	₱365,652
Trade and other receivables	1,455,940
Inventories	16,393
Other current assets	25,401
Land and improvements	1,361,645
Deposit on land purchase	444,622
Property and equipment	493,328
Other assets	140,640
	4,303,621
Liabilities	
Accounts and other payables	310,177
Deposits and other current liabilities	21,446
Due to related parties	89,232
Loans payable	81,621
Income tax payable	18,630
Deferred tax liabilities – net	399,155
	920,261
Net assets	3,383,360
Non-controlling interest in TKDC and TKPI	1,353,344
Total net assets acquired	2,030,016
Acquisition cost	2,029,500
Negative goodwill	₱516

The fair value of the trade and other receivables approximate their carrying amounts since these are short-term in nature. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interests have been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

In 2011, the Company finalized its purchase price allocation and there were no changes to the fair market values of the assets acquired and liabilities assumed for TKDC and TKPI.

In 2011, the shareholders of ECI, a subsidiary, approved the increase in its authorized capital stock and the subsequent issuance of these shares in exchange for the investment of the Company and ACC Group in TKDC and TKPI. As a result of this transaction, ALI and ACC will obtain 60% and 40% ownership interest in ECI, respectively. Also, TKDC and TKPI will become wholly owned subsidiaries of ECI. However, the Exchange Agreement was subsequently rescinded in 2013, in favor of the acquisition of the minority interest in TKDC and TKPI through AHRC's acquisition of 100% interest in ACCI (see Note 20).

Asian Conservation Company, Inc. (ACCI)
On November 19, 2013, AHRC, a wholly owned subsidiary of the Company entered into an agreement to acquire 100% interest in ACCI, which effectively consolidates the remaining 40% interest in TKDC and TKPI (60%-owned subsidiary of the Company prior to this acquisition). This acquisition is in line with the Company's thrust to support the country's flourishing tourism industry.

The agreement resulted in the Company effectively obtaining 100% interest in TKPI and TKDC. A total of ₱2,000.0 million was paid to obtain the 100% interest in ACCI. The carrying amount of the non-controlling interest is reduced to nil as the Company already owns 100% share in TKDC and TKPI become wholly owned subsidiaries of the Company. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the Company amounting to ₱586.0 million (see Note 20).

Acquisition of Non-controlling Interests

APPHC and AyalaLand Offices, Inc. (formerly APPCo)
APPCo owns BPO buildings in Makati, Quezon City and Laguna, with a total leasable area of approximately 230 thousand square meters. This acquisition is aligned with the Company's thrust of expanding its office leasing business and increasing its recurring income.

In 2006, the Company signed an agreement with MLT Investments Ltd. (MIL) and Filipinas Investments Ltd. (FIL) to jointly develop a BPO office building in Dela Rosa Street and to purchase the existing PeopleSupport Building.

APPHC, the joint-venture company formed, is 60%-owned by the Company. APPHC owns 60% interest in its subsidiary, APPCo. The remaining 40% interest in both APPHC and APPCo are split evenly between MIL and FIL. APPHC and APPCo are joint ventures by the Company, MIL, and FIL.

On December 8, 2008, the Company acquired from FIL its 20% ownership in APPHC and APPCo. This resulted in an increase in the Company's effective ownership interest in APPHC from 60% to 80% and APPCo from 36% to 68%, thereby providing the Company with the ability to control the operations of APPHC and APPCo following the acquisition. Accordingly, APPHC and APPCo's financial statements are consolidated on a line-by-line basis with that of the Group as of December 31, 2008.

On November 16, 2011, the SEC approved the merger of APPHC and APPCo, with APPCo as the surviving entity. The merger was meant to streamline administrative processes and achieve greater efficiency. From the perspective of the Company, the merger did not affect its effective interest (68%) in the merged entity.

On April 15, 2013, the Company has entered into a Sale and Purchase Agreement with Global Technologies International Limited (GTIL) to acquire the latter's 32% stake in APPCo for ₱3,520.0 million. Prior to the acquisition, the Company has 68% effective interest in APPCo.

The carrying amount of the non-controlling interest is reduced to nil as APPCo became wholly owned by the Company. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity attributable to the Company amounting to ₱2,722.6 million (see Note 20).

Asian I-Office Properties, Inc. (AiO)
On April 16, 2013, CPVDC (a subsidiary of CHI) acquired the 60% interest of the Company in AiO for a cash consideration of ₱436.2 million. AiO was previously 40%-owned by CPVDC and 60%-owned by the Company.

This transaction allows the Company to consolidate into CPVDC the development and operations of BPO offices in Cebu and businesses related thereto, which should lead to value enhancement, improved efficiencies, streamlined processes and synergy creation among the Company and its subsidiaries. This is also consistent with the thrust of the CHI group to build up its recurring income base.

The acquisition resulted to AiO becoming a wholly owned subsidiary of CPVDC. Both AiO and CHI are under the common control of the Company. As a result, the acquisition was accounted for using the pooling of interests method. The transaction has no effect on the carrying amounts of the Group's assets and liabilities.

TPEPI
On October 31, 2013, the Group acquired a 55% interest in TPEPI for a consideration of ₱550.0 million. The acquisition will allow the Group to consolidate its businesses resulting in improved efficiencies and synergy creation to maximize opportunities in the Cebu real estate market. The transaction was accounted for as an asset acquisition.

The excess of the Group's cost of investment in TPEPI over its proportionate share in the underlying net assets at the date of acquisition was allocated to the "Investment properties" account in the consolidated financial statements. This purchase premium shall be amortized upon sale of these lots by TPEPI.

TPEPI's underlying net assets acquired by the Group as of date of acquisition consists of cash in bank, input VAT and investment properties amounting to ₱550.0 million.

NTDCC
On December 10, 2014, the Group purchased its proportionate share in Anglo Philippine Holdings Corporation's 15.79% interest in NTDCC for ₱738.3 million which consists of 539,249 common shares and 2,265,507 preferred shares. This increased the Company's ownership in NTDCC from 49.29% to 58.53% of the total outstanding capital stock of NTDCC which owns and operates the Trinoma Commercial Centre in North Triangle, Quezon City.

Subsequently, on December 22, 2014, the Company purchased the shares of Allante Realty and Development Corporation and DBH Incorporated in NTDCC for ₱211.2 million each of which comprises of 154,287 common shares and 648,196 preferred shares for each company. This results to an increase in the Company's ownership in NTDCC from 49.29% to 63.82% of the total outstanding capital stock of NTDCC.

PhilEnergy
Ayala Land, Inc. acquired MC's 40% minority interest in PhilEnergy which increased its ownership to 100%. The transaction resulted to an immaterial equity reserves balance as its total investment cost of ₱322.3 million approximates the par value of the shares plus 40% of PhilEnergy's audited retained earnings as of December 31, 2013.

25. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

Terms and Conditions of Transactions with Related Parties
In its regular conduct of business, the Group has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Transactions with related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year (in thousands):

a. Transactions with Bank of the Philippine Islands (BPI), an associate of AC

As of December 31, 2014 and 2013, the Group maintains current and savings account, money market placements and long-term debt payable with BPI broken down as follows:

	2014	2013
	(In Thousands)	
Cash in bank	**₱13,355,222**	₱6,737,072
Cash equivalents	**5,939,002**	10,788,151
Investment in FVPL	**6,264,569**	12,794,654
Short term debt	**–**	1,500,000
Long-term debt	**23,817,111**	16,869,061

b. Outstanding balances from/to related parties follow (amounts in thousands):

2014

	Receivable from related parties			Payable to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Parent Company	₱26,213	₱–	₱26,213	₱ 60,143	₱–	₱60,143
Associates	1,202	–	1202	212,697	–	212,696
Other related parties:						
Columbus	888,953	–	888,953	1,156,308	–	1,156,308
FBDC	394,026	–	394,026	403,297	–	403,297
Globe Telecom	92,950	–	92,950	1,129	–	1,129
BPI	32,600	–	32,600	55,184	–	55,184
Others	79,351	–	79,351	6,327	–	6,327
	1,487,880	–	1,487,880	1,622,245	–	1,622,245
	₱1,515,295	₱–	₱1,515,295	₱1,895,085	₱–	₱1,895,084

2013

	Receivable from related parties			Payable to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Parent Company	₱117,736	₱–	₱117,736	₱229,215	₱–	₱229,215
Associates	5,964	–	5,964	212,697	–	212,697
Other related parties:						
Columbus	888,815	–	888,815	1,156,308	–	1,156,308
FBDC	274,645	–	274,645	2,154,003	–	2,154,003
Globe Telecom	97,622	–	97,622	1,074	–	1,074
BPI	31,160	–	31,160	75,787	–	75,787
MWC	346,141	–	346,141	179	–	179
Others	82,614	–	82,614	6,104	–	6,104
	1,720,997	–	1,720,997	3,393,455	–	3,393,455
	₱1,844,697	₱–	₱1,844,697	₱3,835,367	₱–	₱3,835,367

c. Income and expenses from related parties follow:

Revenue from related parties:

	2014	2013	2012
		(In Thousands)	
Parent Company	**₱501,339**	₱62,090	₱33,699
Associate	**49,135**	41,143	21,290
Other Related Parties			
BPI	**297,767**	162,859	17,887
FBDC	**176,195**	221,483	113,471
Globe Telecom	**75,044**	51,802	61,463
6750 Ayala Avenue JV	**17,697**	46,511	–
Laguna AA Waterworks Corp.	**1,500**	625,000	–
MWC	**883**	1,351	278,097
Others	**13,057**	45,506	26,239
	582,143	1,154,512	497,157
Total	**₱1,132,617**	₱1,257,745	₱552,146

Expenses from related parties:

	2014	2013	2012
		(In Thousands)	
Parent Company	**₱445,623**	₱56,781	₱27,230
Associate	**1,315**	–	–
Other Related Parties			
Ayala Life Assurance, Inc.	**248,219**	–	–
MWC	**195,435**	145,313	109,284
Fort Bonifacio Development	**155,099**	129,175	16,959
AG Counselors Corp.	**154,587**	150,080	97,456
Others	**143,893**	110,300	92,665
	897,233	534,868	316,364
Total	**₱1,344,171**	₱591,649	₱343,594

The revenue earned from associates and other related parties pertains mostly to income from leasing and development projects.

Receivables from/payables to other related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. Payables to related parties consist of expenses incurred on utilities, professional services and other miscellaneous services as well as purchases of vehicles. These are generally trade-related, noninterest-bearing and payable within one year.

The following describes the nature of the material transactions of the Group with related parties as of December 31, 2014 and 2013:

- In 2012, the Company provided interest-bearing advances to AINA, an AC subsidiary, for AINA's project in Northern California with outstanding balance of ₱184.7 million as of December 31, 2012 and was paid in full on February 15, 2013.
- In 2013, the Company, through its subsidiary Avida, advanced ₱107.2 million for selling expenses and transfer costs for AC allocated units on projects under joint development agreement between AC and Avida. As of December 31, 2014 and 2013, the balance of such advances amounted to ₱78.3 million and ₱81.9 million, respectively.
- On February 3, 2011, Amaia Land Corp. (Amaia) entered into a Joint Development Agreement (the Agreement) with AC to develop parcels of land (the Property) located in Brgy. Dagatan, Lipa City, Batangas registered in the name of AC. AC agreed to contribute the Property and Amaia agreed to contribute project development services. In return for their respective contributions, the parties agreed to respectively distribute and allocate to themselves the developed units in the project corresponding to their pro-rata interest therein. In 2012, the parties agreed to cancel the Agreement and sell the property to Amaia. On December 17, 2012, the parties executed a Deed of Absolute Sale wherein AC agreed to sell and Amaia agreed to purchase the Property from AC for ₱50.14 million. As of December 31, 2014 and 2013, ₱29.8 million is still payable to AC.
- In 2013, LTI sold waterworks property to LAWC, a subsidiary of AC (through AC). Total selling price amounted to ₱625.0 million resulting to a gain of ₱539.1 million.
- The Company advanced ₱888.8 million to Columbus for acquisition of shares in BLC. Columbus, on the other hand, advanced ₱988.8 million to the Company for stocks redemption of ECHI and BHI.
- On April 17, 2012, AC awarded the Daang Hari-SLEX Link road project to MDC with total contract price of ₱804.4 million. The scope of work includes the construction of a 4 km toll road that will exit South Luzon near the Susana Heights Interchange passing through government properties in Muntinlupa and will end in Daang Hari in Imus, Cavite. The project was started last June 2012 and completion is expected in June 2015.
- In November 2012, BG South, a subsidiary of Alveo, entered into a contract with FBDC for the purchase of land in Bonifacio Global City. The Deed of Absolute Sale related to the contract was executed in 2012 for which the purchase price amounted to ₱727.8 million, plus VAT. In 2013, ₱407.0 million, inclusive of VAT, were paid by BGS. Outstanding payable amounts to ₱403.2 million as of December 31, 2014 and 2013.
- On May 20, 2013, DirectPower and its customers, which are all within the Ayala Group, entered into a Retail Electricity Supply contract wherein DirectPower agreed to supply electricity at a specific rate pursuant to the provisions and implementing rules and regulations of R.A. No. 9136 or the Electric Power Industry Reform Acts of 2001. Among the customers of DirectPower are FBDC, LDC, BPI, San Lazaro BPO Complex and 6750 Ayala Ave.
- On November 26, 2014, Alveo acquired a 6,986 sq. m. property located along Valero St., Salcedo Village, Makati City. The property was purchased from BPI for ₱1,595.0 million.
- Revenue from Globe pertains to development management fee and for lease of spaces.
- The Company, through its subsidiary MDC, has an existing pipe laying contract with MWC, a subsidiary of AC. MDC has reported revenues in the amount of ₱275.5 million and ₱1,851.6 million in 2012 and 2011, respectively from the contract. No revenue is recognized in 2013 since the project was substantially completed in 2012.

Compensation of key management personnel by benefit type follows:

	2014	2013
	(In Thousands)	
Short-term employee benefits	**₱134,261**	₱155,813
Post-employment benefits (Note 26)	**25,751**	25,586
Share-based payments (Note 28)	**636**	83,330
	₱160,648	₱264,729

26. **Retirement Plan**

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans (the Plan) covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Group's fund is in the form of a trust fund being maintained by trustee banks such as BPI Asset Management and Trust Group and Deutsche Bank (collectively the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follows:

	2014	2013	2012
		(In Thousands)	
Current service cost	**₱410,462**	₱280,867	₱148,070
Past service cost	**6,903**	644	(6,861)
Net interest cost on benefit obligation	**30,365**	26,685	14,868
Total pension expense	**₱447,730**	₱308,196	₱156,077

The remeasurement effects recognized in other comprehensive income (included in Equity under "Actuarial loss on pension liabilities") in the consolidated statements of financial position follow:

	2014	2013	2012
		(In Thousands)	
Return gain (loss) on plan assets (excluding amount included in net interest)	**(₱21,459)**	₱22,128	(₱185,370)
Actuarial (gain) loss due to liability experience	**46,810**	151,572	(9,320)
Actuarial loss due to liability assumption changes – demographic	**51,593**	–	111,442
Actuarial loss due to liability assumption changes – economic	**–**	216,946	312,164
Remeasurements in other comprehensive income	**₱76,944**	₱390,646	₱228,916

The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31, 2014 and 2013, are as follows:

	2014	2013
	(In Thousands)	
Benefit obligations	**₱3,750,189**	₱3,357,650
Plan assets	**(2,189,026)**	(2,215,580)
Net pension liability position	**₱1,561,163**	₱1,142,070

As of December 31, 2014 and 2013 pension assets (included under “other noncurrent assets”) amounted to ₱19.1 million, and ₱5.4 million, respectively, and pension liabilities amounted to ₱1,580.2 million and ₱1,147.5 million, respectively.

Changes in net defined benefit liability of funded funds in 2014 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income								
	January 1, 2014	**Current service cost**	**Past service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan Assets***	**Actuarial (gain)/loss due to liability experience**	**Actuarial (gain)/loss due to liability assumption changes - demographic**	**Actuarial (gain)/loss due to liability assumption changes - economic**	**Net remeasurement loss**	**Contribution by employer**	**Transfer in /(out)**	**Settlements**	**December 31, 2014**
Present value of defined benefit obligation	**₱3,357,650**	**₱410,462**	**₱6,903**	**₱151,755**	**₱569,120**	**(₱274,811)**	**₱–**	**₱46,810**	**₱–**	**₱51,593**	**₱98,403**	**₱–**	**₱–**	**(₱173)**	**₱3,750,189**
Fair value of plan assets	**(2,215,580)**	**–**	**–**	**(121,390)**	**(121,390)**	**253,729**	**(21,459)**	**–**	**–**	**–**	**(21,459)**	**(78,097)**	**(6,402)**	**173**	**(2,189,026)**
Net defined benefit liability (asset)	**₱1,142,070**	**₱410,462**	**₱6,903**	**₱30,365**	**₱447,730**	**(₱21,082)**	**(₱21,459)**	**₱46,810**	**₱–**	**₱51,593**	**₱76,944**	**(₱78,097)**	**(₱6,402)**	**₱–**	**₱1,561,163**

*excluding amount included in net interest

Changes in net defined benefit liability of funded funds in 2013 are as follows (in thousands):

		Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income								
	January 1, 2013	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan Assets*	Actuarial (gain)/loss due to liability experience	Actuarial (gain)/loss due to liability assumption changes - demographic	Actuarial (gain)/loss due to liability assumption changes - economic	Net remeasurement loss	Contribution by employer	Transfer in /(out)	Settlements	December 31, 2013
Present value of defined benefit obligation	₱2,708,557	₱280,867	₱644	₱138,826	₱420,337	(₱102,026)	₱–	₱151,572	₱–	₱216,946	₱368,518	₱–	(₱34,455)	(₱3,281)	₱3,357,650
Fair value of plan assets	(2,158,421)	–	–	(112,141)	(112,141)	102,026	22,128	–	–	–	22,128	(99,544)	27,091	3,281	(2,215,580)
Net defined benefit liability (asset)	₱550,136	₱280,867	₱644	₱26,685	₱308,196	₱–	₱22,128	₱151,572	₱–	₱216,946	₱390,646	(₱99,544)	(₱7,364)	₱–	₱1,142,070

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31	
	2014	2013
Cash and cash equivalents	**₱70,998**	₱437,630
Equity investments		
Financials	**50,295**	81,674
Industrials	**31,130**	62,564
Holding Firms	**211,073**	116,093
Property	**57,069**	70,342
Services	**59,074**	50,341
Mining and Oil	**4,101**	5,339
Unit Investment trust Funds	**148,870**	160,657
Mutual Funds	**218,990**	205,260
	780,602	752,270
Debt investments		
Government securities	**650,702**	711,216
AAA rated debt securities	**238,295**	205,589
Not rated debt securities	**444,757**	77,639
	1,333,754	994,444
Other assets (liabilities)	**3,672**	31,236
	₱2,189,026	₱2,215,580

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history. The Group expects to make contributions of ₱394.4 million to its retirement fund in 2015.

The allocation of the fair value of plan assets follows:

	2014	2013
Investments in debt securities	**60.93%**	33.95%
Investments in equity securities	**35.66%**	44.88%
Others	**3.41%**	21.16%

Funds invested in debt securities include government securities, corporate notes and bonds, unit investment trust funds and special deposit accounts. Investments in equity securities consist of investments in PSE listed stocks and unit investment trust funds. Others were in the form of cash and cash equivalents.

The Group's transactions with the fund mainly pertain to contributions, benefit payments and settlements.

As of December 31, 2014 and 2013, the funds include investment in securities to its related parties. Details of the investment per type of security are as follows:

	December 31, 2014			December 31, 2013
	Carrying Value	**Fair Value**	**Unrealized Gain**	Fair Value
Investments in debt securities	**₱109,905**	**₱111,447**	**₱1,542**	₱225,394
Investments in equity securities	**157,148**	**161,764**	**4,616**	29,124
Others	**122,542**	**127,019**	**4,477**	88,419
	₱389,595	**₱400,230**	**₱10,635**	₱342,937

The plan assets include shares of stock of the Company with fair value amounting to ₱34.1 million, and ₱26.9 million as of December 31, 2014 and 2013, respectively. The Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Company amounting to ₱55.6 million and ₱5.1 million as of December 31, 2014 and 2013, respectively. The gains of the fund arising from investments in debt and equity securities of the Company amounted to ₱2.9 million and ₱44.0 million, respectively.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2014	2013
Discount rates	**4.0 to 5.0%**	4.8 to 5.8%
Future salary increases	**5.0 to 8.0%**	5.0 to 8.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

2014

	Effect on income before income tax Increase (decrease	
Change in basis points	**+ 100 basis points**	**- 100 basis Points**
	(In Thousands)	
Discount rate	**(₱313,272)**	**₱367,711**
Salary increase rate	**358,054**	**(311,474)**

2013

	Effect on income before income tax Increase (decrease	
Change in basis points	+ 100 basis points	- 100 basis Points
	(In Thousands)	
Discount rate	(₱269,738)	₱314,043
Salary increase rate	308,547	(269,582)

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	**2014**	2013
December 31, 2014	**₱–**	₱373,588
December 31, 2015	**429,581**	337,331
December 31, 2016	**253,861**	213,708
December 31, 2017	**222,900**	209,500
December 31, 2018 through December 31, 2024	**2,949,494**	2,292,914

The average duration of the defined benefit obligation is shown below:

	2014	2013
Years	**7.12 to 26.8**	8.7 to 29.2

27. **Earnings Per Share**

The following tables present information necessary to compute EPS in thousands except EPS:

EPS on net income attributable to equity holders of the Company are as follows:

	2014	2013
	(In Thousands)	
Net income attributable to equity holders of the Company	**₱14,802,642**	₱11,741,764
Dividends on preferred stock	**(62,038)**	(62,038)
Net income attributable to equity holders for basic and diluted earnings per share	**₱14,740,604**	₱11,679,726
Weighted average number of common shares for basic EPS	**14,074,173**	13,979,946
Dilutive shares arising from stock options	**4,832**	10,941
Adjusted weighted average number of common shares for diluted EPS	**14,079,005**	13,990,887
Basic EPS	**₱1.05**	₱0.84
Diluted EPS	**₱1.05**	₱0.83

The convertible preferred shares are ignored in the calculation of diluted EPS since the convertibility of the preferred shares will start on the 10th year from the issue date which was in 2012.

28. **Stock Options and Ownership Plans**

The Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (ESOWN) covering 2.5% of the Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

ESOP
Movements in the number of stock options outstanding under ESOP are as follows:

Pre-PFRS 2 Options

	2014	**Weighted average exercise price**	2013	Weighted average exercise price
At January 1	**–**	**₱–**	6,424,068	₱4.23
Exercised	**–**	**–**	(2,552,664)	3.74
Cancelled	**–**	**–**	(3,871,404)	–
At December 31	**–**	**₱–**	–	₱4.58

PFRS 2 Options

	2014	**Weighted average exercise price**	2013	Weighted average exercise price
At January 1	**10,377,981**	**₱4.58**	11,039,666	₱4.23
Exercised	**(5,624,981)**	**4.26**	(661,685)	3.74
Cancelled	**(1,894,640)**	**–**	–	–
At December 31	**2,858,360**	**₱5.63**	10,377,981	₱4.58

The options exercised had a weighted average exercise price of ₱4.26 per share or ₱23.96 million in 2014, and ₱3.74 per share or ₱12.02 million in 2013.

The average fair market value of the shares at the exercise date was ₱31.46 per share or about ₱177.0 million in 2014 and ₱30.00 per share or about ₱96.4 million in 2013.

The fair value of stock options granted are estimated as at the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The fair value of stock options granted under ESOP at June 30, 2005 grant date, and the assumptions used to determine the fair value of the stock options are as follows:

Weighted average share price	₱8.36
Exercise price	₱6.75
Expected volatility	46.30%
Option life	10 years
Dividend yield	3.21%
Interest rate	12.60%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also necessarily be the actual outcome.

ESOWN
In November 2001, the Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. The Binomial Tree model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate.

For the unsubscribed shares, the employee still has the option to subscribe within seven (7) years.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2014	**WAEP**	2013	WAEP
At January 1	**12,683,257**	**₱14.19**	19,149,441	₱10.31
Granted	**12,640,541**		15,385,695	
Subscribed	**(12,330,426)**	**21.10**	(18,784,577)	18.74
Cancelled availment	**279,632**		792,824	
Cancelled	**(993,724)**		(3,860,126)	
At December 31	**12,279,280**	**₱15.61**	12,683,257	₱14.19

The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. Option maturity is four years from the date of grant.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date				
	March 20, 2014	March 18, 2013	March 13, 2012	March 31, 2011	March 31, 2010
Number of unsubscribed shares	1,369,887	1,713,868	3,967,302	3,843,057	2,298,247
Fair value of each option	₱12.60	₱12.07	₱6.23	₱7.27	₱8.88
Weighted average share price	₱31.46	₱30.00	₱21.98	₱15.5	₱13.00
Exercise price	₱22.55	₱21.45	₱14.69	₱13.2	₱9.74
Expected volatility	33.50%	36.25%	33.00%	36.25%	43.57%
Dividend yield	1.42%	1.93%	0.9%	1.01%	0.48%
Interest rate	3.13%	2.78%	5.70%	5.60%	5.95%

	Grant Date				
	April 30, 2009	May 15, 2008	September 20, 2007	June 5, 2006	November 16, 2005
Number of unsubscribed shares	5,418,619	15,057,840	494,400	5,270,333	3,036,933
Fair value of each option	₱4.05	₱6.77	₱6.93	₱7.33	₱5.58
Weighted average share price	₱6.40	₱10.50	₱15.00	₱13.00	₱9.30
Exercise price	₱4.96	₱9.74	₱12.00	₱10.35	₱7.03
Expected volatility	37.45%	32.04%	34.67%	46.03%	46.32%
Dividend yield	0.85%	0.49%	0.41%	1.56%	0.77%
Interest rate	5.94%	8.53%	6.93%	10.55%	11.30%

Total expense (included under "General and administrative expenses") recognized in 2014 and 2013 in the consolidated statements of income arising from share-based payments amounted to ₱196.1 million and ₱232.7 million, respectively (see Note 22).

29. **Financial Assets and Liabilities**

Fair Value Information
The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Loans and Receivables				
Trade residential development	**₱51,345,735**	**₱51,891,790**	₱33,337,137	₱33,374,023
Investment in bonds classified as loans and receivables	**450,000**	**463,407**	1,000,000	1,091,291
Receivable from employees	**431,916**	**432,071**	230,138	230,210
	₱52,227,651	**₱52,787,268**	₱34,567,275	₱34,695,524
Other Financial Liabilities				
Long-term debt	**₱108,363,357**	**₱109,847,007**	₱89,494,829	₱94,843,118
Deposits and other noncurrent liabilities	**24,659,038**	**24,649,686**	23,346,234	23,350,206
	₱133,022,395	**₱134,496,693**	₱112,841,063	₱118,193,324

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables, current payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - These are investments in fund. Fair value is based on net asset values as of reporting dates.

Noncurrent accounts and notes receivables - The fair values of residential accounts and notes receivable, advances to other companies and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 3.54% to 6.17% and 8.00% to 13.25% as of December 31, 2014 and 2013.

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

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 3.88% to 6.48% and 1.82% to 6.13% as of December 31, 2014 and 2013, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy
As at December 31, 2014, quoted AFS financial assets have been measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Company categorizes trade receivable, investment in bonds classified as loans and receivables, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3 in December 31, 2014. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted AFS financial assets amounting to ₱523.3 million and ₱75.1 million as of December 31, 2014, and 2013, respectively were classified under Level 1 (see Note 10).

There are no AFS financial assets and liabilities which have been classified under the Level 2 or 3 categories.

There have been no reclassifications from Level 1 to Level 2 categories in December 31, 2014 and 2013.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

There were no changes in the Group's financial risk management objectives and policies in 2014 and 2013.

Liquidity risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for

the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at a loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2014 and 2013 based on contractual undiscounted payments:

December 31, 2014

	< 1 year	**>1 to < 5 years**	**> 5 years**	**Total**
		(In Thousands)		
Accounts and other payables	**₱91,997,731**	**₱–**	**₱–**	**₱91,997,731**
Short-term debt	**16,302,312**	**–**	**–**	**16,302,312**
Long-term debt	**5,079,349**	**38,502,229**	**65,216,045**	**108,797,623**
Deposits and other noncurrent liabilities	**–**	**18,124,107**	**63,133**	**18,187,240**
	₱113,379,392	**₱56,626,336**	**₱65,279,178**	**₱235,284,906**
Interest payable	**₱5,637,506**	**₱17,816,002**	**₱11,539,383**	**₱34,992,891**

December 31, 2013

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱72,440,400	₱–	₱–	₱72,440,400
Short-term debt	12,407,056	–	–	12,407,056
Long-term debt	3,542,152	31,713,565	54,599,082	89,854,799
Deposits and other noncurrent liabilities	–	23,080,110	13,383,292	36,463,402
	₱88,389,608	₱54,793,675	₱67,982,374	₱211,165,657
Interest payable	₱3,136,841	₱14,415,402	₱10,571,808	₱28,124,051

Cash and cash equivalents, short-term investments, financial assets at FVPL and treasury bonds and treasury bills classified as AFS financial assets are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. Treasury bonds with maturity of more than a year from December 31, 2014 are marketable securities and could be sold as and when needed, prior to its maturity in order to meet the Group's short-term liquidity needs. As of December 31, 2014 and 2013, undrawn loan commitments from long-term credit facilities amounted to ₱1,110.0 million and ₱2,856.0 million, respectively.

Credit risk
Credit risk is a risk that a counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Group's maximum exposure to credit risk as of December 31, 2014 and 2013 is equal to the carrying values of its financial assets, except for the following:

December 31, 2014

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivable:				
Trade receivables:				
Residential	**₱50,891,189**	**₱70,617,811**	**₱–**	**₱50,891,189**
Shopping center	**1,466,959**	**3,392,589**	**62,860**	**1,404,099**
Corporate business	**1,826,468**	**1,609,140**	**218,600**	**1,607,868**
Receivables from employees	**419,170**	**325,334**	**94,210**	**324,959**
	₱54,603,786	**₱75,944,874**	**₱375,670**	**₱54,228,115**

December 31, 2013

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivable:				
Trade receivables:				
Residential	₱33,337,137	₱60,103,704	₱–	₱33,337,137
Shopping center	1,759,197	2,867,981	76,757	1,682,440
Corporate business	1,231,185	1,498,524	56,979	1,174,206
Receivables from employees	230,138	242,198	–	230,139
	₱36,557,657	₱64,712,407	₱133,736	₱36,423,922

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As of December 31, 2014 and 2013, the aging analysis of past due but not impaired trade receivables presented per class, follow:

December 31, 2014

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential development	**₱49,406,302**	**₱265,569**	**₱299,400**	**₱199,569**	**₱352,927**	**₱835,523**	**₱1,952,988**	**₱9,555**	**₱51,368,845**
Construction contracts	**2,136,392**	**–**	**–**	**–**	**–**	**–**	**–**	**45,297**	**2,181,689**
Corporate business	**1,366,548**	**50,296**	**74,366**	**58,150**	**19,872**	**260,265**	**462,949**	**–**	**1,829,497**
Shopping centers	**1,206,253**	**99,224**	**106,572**	**72,468**	**40,724**	**266,279**	**585,267**	**171,903**	**1,963,423**
Management fees	**122,870**	**–**	**2,988**	**3,784**	**3,541**	**3,325**	**13,638**	**2,614**	**139,122**
Others	**171,675**	**78,537**	**30,763**	**13,027**	**775**	**72,410**	**195,512**	**48,380**	**415,567**
Advances to other companies	**17,258,188**	**275,346**	**55,270**	**24,203**	**16,464**	**281,165**	**652,448**	**169,202**	**18,079,838**
Accrued receivables	**2,534,467**	**1,391**	**–**	**–**	**5,966**	**1,268**	**8,625**	**–**	**2,543,092**
Related parties	**1,326,860**	**19,480**	**17,522**	**44,226**	**49**	**107,158**	**188,435**	**–**	**1,515,295**
Receivables from employees	**352,458**	**63,163**	**1,505**	**2,047**	**879**	**11,864**	**79,458**	**–**	**431,916**
Investment in bonds classified as loans and receivables	**450,000**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**450,000**
	₱76,332,013	**₱853,006**	**₱588,386**	**₱417,474**	**₱441,197**	**₱1,839,257**	**₱4,139,320**	**₱446,951**	**₱80,918,284**

December 31, 2013

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
					(In Thousands)				
Trade:									
Residential development	₱31,718,466	₱255,316	₱227,816	₱184,329	₱247,175	₱717,590	₱1,632,226	₱9,555	₱33,360,247
Construction contracts	1,149,979	258,300	31,069	50,204	13,457	302,942	655,972	26,546	1,832,497
Corporate business	854,699	96,865	60,151	37,216	22,831	161,806	378,869	–	1,233,568
Shopping centers	1,232,784	26,870	82,102	56,918	38,968	393,828	598,686	141,966	1,973,436
Management fees	133,918	–	–	2,686	2,727	18,481	23,894	2,048	159,860
Others	79,980	4,677	3,344	125	2,154	10,647	20,947	47,747	148,674
Advances to other companies	7,962,396	243,630	5,023	36,092	7,505	272,797	565,047	166,678	8,694,121
Accrued receivables	2,457,391	1,974	–	–	816	167	2,957	–	2,460,348
Related parties	1,541,369	56,757	29,711	18,242	2,490	196,128	303,328	–	1,844,697
Receivables from employees	189,893	28,684	476	423	1,288	9,374	40,245	–	230,138
Investment in bonds classified as loans and receivables	1,000,000	–	–	–	–	–	–	–	1,000,000
	₱48,320,875	₱973,073	₱439,692	₱386,235	₱339,411	₱2,083,760	₱4,222,171	₱394,540	₱52,937,586

The table below shows the credit quality of the Company's financial assets as of December 31, 2014 and 2013:

December 31, 2014

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	**Medium Grade**	**Low Grade**	**Unrated**	**Total**	**not Impaired**	**Impaired**	**Total**
				(In Thousands)				
Cash and cash equivalents (excluding cash on hand)	**₱28,645,823**	**₱–**	**₱–**	**₱–**	**₱28,645,823**	**₱–**	**₱–**	**₱28,645,823**
Short-term investments	**301,405**	**–**	**–**	**–**	**301,405**	**–**	**–**	**301,405**
Financial assets at FVPL	**6,264,569**	**–**	**–**	**–**	**6,264,569**	**–**	**–**	**6,264,569**
Accounts and notes receivables:								
Trade:								
Residential development	**42,916,342**	**3,888,601**	**2,601,359**	**–**	**49,406,302**	**1,952,988**	**9,555**	**51,368,845**
Construction contracts	**2,136,392**	**–**	**–**	**–**	**2,136,392**	**–**	**45,297**	**2,181,689**
Shopping centers	**1,046,882**	**84,375**	**74,996**	**–**	**1,206,253**	**585,267**	**171,903**	**1,963,423**
Corporate business	**1,358,685**	**82**	**7,781**	**–**	**1,366,548**	**462,949**	**–**	**1,829,497**
Management fees	**117,716**	**1,275**	**3,879**	**–**	**122,870**	**13,638**	**2,614**	**139,122**
Others	**171,109**	**–**	**566**	**–**	**171,675**	**195,512**	**48,380**	**415,567**
Advances to other companies	**15,677,339**	**–**	**1,580,849**	**–**	**17,258,188**	**652,448**	**169,202**	**18,079,838**
Accrued receivables	**2,534,424**	**–**	**43**	**–**	**2,534,467**	**8,625**	**–**	**2,543,092**
Related parties	**361,339**	**107,816**	**857,705**	**–**	**1,326,860**	**188,435**	**–**	**1,515,295**
Receivable from employees	**352,458**	**–**	**–**	**–**	**352,458**	**79,458**	**–**	**431,916**
Investment in bonds classified as loans and receivables	**450,000**	**–**	**–**	**–**	**450,000**	**–**	**–**	**450,000**
AFS financial assets:								
Unquoted	**–**	**–**	**–**	**261,115**	**261,115**	**–**	**–**	**261,115**
Quoted	**523,256**	**–**	**–**	**–**	**523,256**	**–**	**–**	**523,256**
	₱102,857,739	**₱4,082,149**	**₱5,127,178**	**₱261,115**	**₱112,328,181**	**₱4,139,320**	**₱446,951**	**₱116,914,452**

December 31, 2013

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Cash and cash equivalents (excluding cash on hand)	₱27,917,846	₱–	₱–	₱–	₱27,917,846	₱–	₱–	₱27,917,846
Short-term investments	16,728	–	–	–	16,728	–	–	16,728
Financial assets at FVPL	13,403,497	–	–	–	13,403,497	–	–	13,403,497
Accounts and notes receivables:								
Trade:								
Residential development	29,146,745	1,207,819	1,363,902	–	31,718,466	1,632,226	9,555	33,360,247
Construction contracts	1,149,979	–	–	–	1,149,979	655,972	26,546	1,832,497
Shopping centers	1,130,535	37,837	64,412	–	1,232,784	598,686	141,966	1,973,436
Corporate business	851,506	3,111	82	–	854,699	378,869	–	1,233,568
Management fees	129,126	2,836	1,956	–	133,918	23,894	2,048	159,860
Others	79,945	35	–	–	79,980	20,947	47,747	148,674

(Forward)

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
				(In Thousands)				
Advances to other companies	₱7,761,047	₱–	₱201,349	₱–	₱7,962,396	₱565,047	₱166,678	₱8,694,121
Accrued receivables	2,410,341	13,652	33,398	–	2,457,391	2,957	–	2,460,348
Related parties	1,460,299	72,982	8,088	–	1,541,369	303,328	–	1,844,697
Receivable from employees	189,893	–	–	–	189,893	40,245	–	230,138
Investment in bonds classified as loans and receivables	1,000,000	–	–	–	1,000,000	–	–	1,000,000
AFS financial assets:								–
Unquoted	–	–	–	261,115	261,115	–	–	261,115
Quoted	75,146	–	–	–	75,146	–	–	75,146
	₱86,722,633	₱1,338,272	₱1,673,187	₱261,115	₱89,995,207	₱4,222,171	₱394,540	₱94,611,918

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVPL, AFS quoted securities - based on the nature of the counterparty and the Group's internal rating system

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment

The unquoted AFS financial assets are unrated.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Company's ratio of fixed to floating rate debt stood at around 74:26 and 69:31 as of December 31, 2014 and 2013, respectively.

The following tables demonstrate the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2014 and 2013, with all variables held constant, (through the impact on floating rate borrowings):

December 31, 2014

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis points**
	(In Thousands)	
Floating rate borrowings	**(₱323,597)**	**₱323,597**

December 31, 2013

	Effect on income before income tax Increase (decrease)	
Change in basis points	+ 100 basis points	- 100 basis Points
	(In Thousands)	
Floating rate borrowings	(₱315,468)	₱315,468

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table (in thousands):

December 31, 2014

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	**₱28,645,823**	**₱28,645,823**	**₱–**	**₱–**	**₱28,645,823**
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	**301,405**	**301,405**	**–**	**–**	**301,405**
Accounts and notes receivable	Fixed at the date of sale	Date of sale	**14,984,921**	**7,629,911**	**7,231,704**	**93,150**	**14,954,765**
			₱43,932,149	**₱36,577,139**	**₱7,231,704**	**₱93,150**	**₱43,901,993**
Company							
Short-term debt - US Dollar	Variable at 2.7500% to 2.900%	Monthly	**₱1,661,512**	**₱1,661,512**	**₱–**	**₱–**	**₱1,661,512**
Short-term debt – Peso	Variable at 1.1000% to 1.2000%	Monthly	**6,660,000**	**6,660,000**	**–**	**–**	**6,660,000**
Long-term debt							
Fixed							
Peso	Fixed at 7.750%	10 years	**100,000**	**–**	**100,000**	**–**	**100,000**
Peso	Fixed at 8.900%	7 years	**1,316,700**	**13,300**	**1,303,400**	**–**	**1,316,700**
Peso	Fixed at 5.000%	3 years	**986,710**	**986,710**	**–**	**–**	**986,710**
Peso	Fixed at 5.000%	3 years	**1,982,700**	**–**	**1,982,700**	**–**	**1,982,700**
Peso	Fixed at 5.625%	7 years	**9,350,000**	**–**	**9,292,190**	**–**	**9,292,190**
Peso	Fixed at 6.000%	10 years	**5,650,000**	**–**	**–**	**5,615,068**	**5,615,068**
Peso	Fixed at 5.625 to 7.500%	5, 10 and 15 years	**8,012,500**	**33,523**	**3,835,203**	**4,111,238**	**7,979,964**
Peso	Fixed at 5.625%	11 years	**8,000,000**	**–**	**–**	**7,922,131**	**7,922,131**
Peso	Fixed at 5.000%	10.5 years	**15,000,000**	**–**	**–**	**14,875,092**	**14,875,092**
Peso	Fixed at 4.625%	7 years	**4,000,000**	**–**	**–**	**3,969,010**	**3,969,010**
Peso	Fixed at 6.000%	20 years	**2,000,000**	**–**	**–**	**1,982,330**	**1,982,330**
Peso	Fixed at 4.500%	10 years	**5,000,000**	**50,000**	**200,000**	**4,750,000**	**5,000,000**
Floating							
USD	Variable at 2.4753% over 3-month LIBOR	6 years	**2,360,545**	**–**	**70,816**	**2,289,729**	**2,360,545**
Peso	Variable at 4.000% over 91-day DR1	7 years	**1,000,000**	**–**	**1,000,000**	**–**	**1,000,000**
Subsidiaries							
Short-term debt							
Floating							
Peso	Variable at 2.000% to 3.000%	Monthly	**7,980,800**	**7,980,800**	**–**	**–**	**7,980,800**
Long-term debt							
Fixed							
Peso	Fixed at 3.630% to 10.211%	5 to 7 years	**31,341,641**	**1,822,942**	**10,424,406**	**19,038,153**	**31,285,501**
Floating							
Peso	Variable at 1.536% to 4.7500% over 91-day PDST-R1/R2	3 months	**7,972,810**	**1,738,435**	**5,920,964**	**312,000**	**7,971,399**
US Dollar	Variable at 1.932% to 2.233% over 3-month LIBOR	Quarterly	**4,724,017**	**421,993**	**4,302,024**	**–**	**4,724,017**
			₱125,099,935	**₱21,369,215**	**₱38,431,703**	**₱64,864,751**	**₱124,665,669**

December 31, 2013

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱27,917,846	₱27,917,846	₱–	₱–	₱27,917,846
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	16,728	16,728	–	–	16,728
Accounts and notes receivable	Fixed at the date of sale	Date of sale	18,128,122	7,394,875	8,808,301	225,144	16,428,320
			₱46,062,696	₱35,329,449	₱8,808,301	₱225,144	₱44,362,894
Company							
Short-term debt - US Dollar	Variable at 1.200% to 1.300%	Monthly	₱1,679,905	₱1,679,905	₱–	₱–	₱1,679,905
Short-term debt – Peso	Variable	Monthly	2,220,000	2,220,000	–	–	2,220,000
Long-term debt							
Fixed							
Peso	Fixed at 7.750%	10 years	100,000	–	100,000	–	100,000
Peso	Fixed at 8.900%	7 years	1,330,000	13,300	53,200	1,263,500	1,330,000
Peso	Fixed at 5.000%	3 years	620,195	620,195	–	–	620,195
Peso	Fixed at 5.000%	3 years	992,460	–	992,460	–	992,460
Peso	Fixed at 5.000%	3 years	1,999,650	–	1,999,650	–	1,999,650
Peso	Fixed at 5.625%	7 years	9,350,000	–	–	9,281,120	9,281,120
Peso	Fixed at 4.500 to 6.000%	10 years	5,650,000	–	–	5,608,377	5,608,377
Peso	Fixed at 5.625% to 7.500%	5, 10 and 15 years	8,050,000	37,500	3,825,982	4,140,326	8,003,808
Peso	Fixed at 5.000%	10.5 years	15,000,000	–	–	14,864,568	14,864,568
Peso	Fixed at 4.625%	7 years	4,000,000	–	–	3,964,465	3,964,465
Peso	Fixed at 6.000%	20 years	2,000,000	–	–	1,981,840	1,981,840
Peso	Fixed at 4.500%	10 years	5,000,000	–	200,000	4,800,000	5,000,000
Floating							
USD	Variable at 2.393%	6 years	2,598,661	–	51,973	2,546,688	2,598,661
Peso	Variable at 1.060% to 2.100%	10.25 years	1,000,000	–	1,000,000	–	1,000,000
Subsidiaries							
Short-term debt							
Peso	Variable	Monthly	8,507,151	8,507,151	–	–	8,507,151
Long-term debt							
Fixed							
Peso	Fixed at 3.627% to 10.211%	5 to 7 years	16,622,723	1,555,363	9,755,931	5,308,911	16,620,205
Floating							
Peso	Variable at 0.684% to 4.750%	3 months	10,546,304	975,898	9,350,526	208,250	10,534,674
US Dollar	Variable at 0.992% to 2.239%		4,994,806	339,896	4,355,244	299,666	4,994,806
			₱102,261,855	₱15,949,208	₱31,684,966	₱54,267,711	₱101,901,885

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. As of December 31, 2014 and 2013, the Group's placements in foreign currencies amounting to $24.3 million and $33.4 million, respectively and the amount of foreign currency-denominated debt amounting to $196.2 million and $108.8 million, respectively are minimal. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2014 and December 31, 2013:

	December 31			
	2014		2013	
	US Dollar	**Php Equivalent**	US Dollar	Php Equivalent
		(In Thousands)		
Financial Assets				
Cash and cash equivalents	**$15,884**	**₱710,315**	$25,089	₱1,113,826
Short-term investments	**1,247**	**55,750**	–	–
Financial Assets at FVPL	**–**	**–**	–	–
Accounts and notes receivable - net	**6,804**	**304,274**	8,330	369,810
Other noncurrent assets	**375**	**16,761**	–	–
Total	**$24,310**	**₱1,087,100**	$33,419	₱1,483,636
Financial Liabilities				
Accounts and other payables	**$576**	**₱25,769**	$10,772	₱478,223
Short-term debt	**37,154**	**1,661,512**	37,840	1,679,905
Long-term debt	**158,420**	**7,084,563**	59,917	2,660,015
Other noncurrent liabilities	**70**	**3,141**	267	11,853
Total	**$196,220**	**₱8,774,985**	$108,796	₱4,829,996
Net foreign currency denominated financial instruments	**($171,910)**	**(₱7,687,885)**	($75,377)	(₱3,346,360)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱44.72 to US$1.00 and ₱44.40 to US$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2014 and 2013, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Effect on profit before tax Increase (decrease)	
Change in exchange rate	**2014**	2013
₱1.00	**(171,910)**	(75,377)
(₱1.00)	**171,910**	75,377

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

Equity price risk
Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity (in thousands).

	Effect on equity Increase (decrease)	
Change in PSEi index	**2014**	2013
	(In Thousands)	
+5%	**₱15,150**	₱–
-5%	**(15,150)**	–

Quoted financial assets at FVPL pertains to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

All other variables held constant, with a duration of 0.05 and 0.04 year for 2014 and 2013 respectively, the fair value of the Group's investment in the fund, net income and equity will increase (decrease) by ₱2.8 million and ₱5.1 million for December 31, 2014 and 2013, respectively, for a 100 basis points decrease (increase), respectively, in interest rates.

30. Segment Information

The industry segments where the Group and its associates and joint ventures operate follows:

- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate businesses - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Residential developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture
- Strategic landbank management and Visayas-Mindanao - acquisition, development and sale of large-scale, mixed-use, masterplanned communities; sale of override units or the Company's share in properties made available to subsidiaries for development; lease of gas station sites and carparks outside Ayala Center. This also includes development, sale and lease, shopping centers and residential developments of the Group's product offerings in key cities in the Visayas and Mindanao regions
- Construction - land development and construction of the Group and third-party projects
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Property management - facilities management of the Group and third-party projects
- Others - other income from investment activities and sale of non-core assets

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Business segments

The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the two years in the period ended December 31 (in millions):

2014

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Sales to external customers	**₱10,960**	**₱4,434**	**₱54,986**	**₱6,905**	**₱5,091**	**₱5,618**	**₱1,034**	**₱–**	**₱–**	**₱89,028**
Intersegments sales	**564**	**–**	**127**	**10,137**	**23,564**	**–**	**425**	**–**	**(34,817)**	**–**
Equity in net earnings of associates and joint ventures	**(155)**	**–**	**–**	**857**	**–**	**–**	**–**	**(55)**	**–**	**647**
Total revenue	**11,369**	**4,434**	**55,113**	**17,899**	**28,655**	**5,618**	**1,459**	**(55)**	**(34,817)**	**89,675**
Operating expenses	**6,673**	**2,508**	**42,655**	**12,689**	**25,509**	**4,541**	**1,450**	**1,712**	**(32,138)**	**65,599**
Operating profit	**4,696**	**1,926**	**12,458**	**5,210**	**3,146**	**1,077**	**9**	**(1,767)**	**(2,679)**	**24,076**
Interest and investment income										**4,817**
Interest and other financing charges										**(5,366)**
Other income										**706**
Other charges										**(376)**
Provision for income tax										**(6,142)**
Net income										**₱17,715**
Net income attributable to:										
Equity holders of Ayala Land, Inc.										**₱14,803**
Non-controlling interests										**2,912**
										₱17,715
Other Information										
Segment assets	**₱68,230**	**₱40,237**	**₱249,523**	**₱98,750**	**₱38,587**	**₱24,835**	**₱4,935**	**₱12,047**	**(₱165,621)**	**₱371,523**
Investment in associates and joint ventures	**583**	**–**	**–**	**8,685**	**–**	**–**	**–**	**1,695**	**–**	**10,963**
	68,813	**40,237**	**249,523**	**107,435**	**38,587**	**24,835**	**4,935**	**13,742**	**(165,621)**	**382,486**
Deferred tax assets	**265**	**86**	**1,484**	**276**	**13**	**108**	**17**	**1,785**	**2,424**	**6,458**
Total assets	**₱69,078**	**₱40,323**	**₱251,007**	**₱107,711**	**₱38,600**	**₱24,943**	**₱4,952**	**₱15,527**	**(₱163,197)**	**₱388,944**
Segment liabilities	**₱38,972**	**₱19,471**	**₱130,074**	**₱77,602**	**₱35,504**	**₱11,548**	**₱5,699**	**₱15,119**	**(₱69,007)**	**₱264,982**
Deferred tax liabilities	**18**	**82**	**334**	**202**	**–**	**440**	**1**	**–**	**890**	**1,967**
Total liabilities	**₱38,990**	**₱19,553**	**₱130,408**	**₱77,804**	**₱35,504**	**₱11,988**	**₱5,700**	**₱15,119**	**(₱68,117)**	**₱266,949**
Segment additions to:										
Property and equipment	**₱149**	**₱147**	**₱269**	**₱67**	**₱861**	**₱1,053**	**₱631**	**₱91**	**₱–**	**₱3,268**
Investment properties	**₱5,464**	**₱3,693**	**₱100**	**₱3,460**	**₱–**	**₱–**	**₱143**	**₱509**	**₱–**	**₱13,369**
Depreciation and amortization	**₱1,530**	**₱714**	**₱306**	**₱715**	**₱670**	**₱512**	**₱118**	**₱425**	**₱–**	**₱4,990**
Non-cash expenses other than depreciation and amortization	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Impairment losses	**₱116**	**₱–**	**₱–**	**₱–**	**₱19**	**₱–**	**₱–**	**₱5**	**₱–**	**₱140**

2013

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustments	Consolidated
Revenue										
Sales to external customers	₱10,027	₱3,357	₱41,398	₱11,553	₱4,501	₱4,017	₱1,484	₱–	₱–	₱76,337
Intersegments sales	428	–	823	5	18,454	–	1,354	–	(21,064)	–
Equity in net earnings of associates and joint ventures	(18)	–	–	625	–	–	–	(57)	–	550
Total revenue	10,437	3,357	42,221	12,183	22,955	4,017	2,838	(57)	(21,064)	76,887
Operating expenses	7,315	1,982	31,246	8,939	20,878	3,702	2,825	1,777	(20,896)	57,768
Operating profit	3,122	1,375	10,975	3,244	2,077	315	13	(1,834)	(168)	19,119
Interest and investment income										3,538
Interest and other financing charges										(4,116)
Other income										1,098
Other charges										(679)
Provision for income tax										(4,655)
Net income										₱14,305
Net income attributable to:										
Equity holders of Ayala Land, Inc.										₱11,742
Non-controlling interests										2,563
										₱14,305
Other Information										
Segment assets	₱68,130	₱29,585	₱172,390	₱88,874	₱28,891	₱20,636	₱4,214	₱24,436	(₱126,162)	₱310,994
Investment in associates and joint ventures	430	–	58	7,337	–	–	–	1,494	–	9,319
	68,560	29,585	172,448	96,211	28,891	20,636	4,214	25,930	(126,162)	320,313
Deferred tax assets	228	82	1,973	245	–	171	31	2,431	-	5,161
Total assets	₱68,788	₱29,667	₱174,421	₱96,456	₱28,891	₱20,807	₱4,245	₱28,361	(₱126,162)	₱325,474
Segment liabilities	₱20,810	₱10,277	₱97,010	₱49,053	₱26,131	₱11,783	₱3,203	₱42,029	(₱48,227)	₱212,069
Deferred tax liabilities	20	114	512	121	–	480	–	–	60	1,307
Total liabilities	₱20,830	₱10,391	₱97,522	₱49,174	₱26,131	₱12,263	₱3,203	₱42,029	(₱48,167)	₱213,376
Segment additions to:										
Property and equipment	₱289	₱42	₱468	₱36	₱809	₱4,423	₱5,289	₱238	₱–	₱11,594
Investment properties	₱3,443	₱2,177	₱16	₱59	₱–	₱–	₱–	₱–	₱–	₱5,695
Depreciation and amortization	₱1,490	₱578	₱178	₱598	₱390	₱429	₱74	₱161	₱–	₱3,898
Non-cash expenses other than depreciation and amortization	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–
Impairment losses	₱40	₱–	₱–	₱–	₱13	₱–	₱–	₱120	₱–	₱173

31. Registration with Philippine Economic Zone Authority (PEZA)

LTI was registered with PEZA on October 27, 1999 as a non-pioneer “ecozone developer/operator”. The PEZA registration entitled the subsidiary to a four-year income tax holiday from the start of its commercial operations. At the expiration of its four-year tax holiday, the subsidiary pays income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

Likewise, Ceci also became registered with PEZA in 2007 as the “developer/operator” of the Lakeside Ecozone.

Glensworth, a wholly owned subsidiary of APPCo, was registered with PEZA as an Economic Zone Information IT Facility Enterprise last December 14, 2007 to construct a 4-storey building at the Lakeside Ecozone, Barangay Sta. Rosa, Laguna for lease to PEZA-registered enterprises. As a PEZA-registered enterprise, the Glensworth is entitled to incentives which, among others, include a lower income tax rate of 5% on gross income in lieu of all national and local taxes.

HPC, a wholly owned subsidiary of the Company, was registered with PEZA last January 29, 2009 as an Ecozone Facilities Enterprise at the John Hay Special Tourism Economic Zone located in Baguio.

Sunnyfield, a wholly owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as a Developer/Operator of Iloilo Technohub.

Westview, a wholly owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as an Ecozone Facilities Enterprise at the Ayala Northpoint Technohub located in Bacolod.

CPVDC was registered with PEZA on April 6, 2000 as an Information Technology (IT) Park developer or operator and was granted approval by PEZA on October 10, 2001. The PEZA registration entitled CPVDC to a four-year tax holiday from the start of approval of registered activities. At the expiration of its four-year tax holiday, CPVDC pays income tax at the special rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

32. Leases

Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Group follows:

	2014	2013
	(In Thousands)	
Within one year	**₱4,019,617**	₱3,208,817
After one year but not more than five years	**8,895,438**	7,470,179
More than five years	**8,719,812**	3,160,333
	₱21,634,867	₱13,839,329

Operating Leases - Group as Lessee

The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of the Group follows:

	2014	2013
	(In Thousands)	
Within one year	**₱592,404**	₱589,931
After one year but not more than five years	**1,869,779**	1,786,022
More than five years	**11,211,843**	11,558,699
	₱13,674,026	₱13,934,652

On August 7, 2014, Arvo Commercial Corporation signed a Memorandum of Understanding with Liberty Commercial Center, Inc. (LCC) to lease and operate a 5-storey commercial complex/mall building with an aggregate gross floor area of approximately 32,000 square meters on a 10,000 square meter portion of the leased land. The commercial complex/ mall building is situated within the Central Business District, Legaspi Port, Legaspi City, adjacent to Quezon Avenue and Rizal Street.

On October 15, 2014, Arvo Commercial Corporation signed a Lease Agreement with Rotonda Development Corporation for the lease of a parcel of land with an area of approximately 23,759.50 square meters located along Liwasang Kalayaan, Marikina Heights, Marikina City. The Company signed a 42-year lease contract with an option to renew for another 40 years by mutual agreement.

On September 2, 2014, the Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 square meters. The Company signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Company.

On January 28, 2011, the Board of Regents of the University of the Philippines awarded to the Company the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants.

A retail establishment with about 63,000 square meters of gross leasable area and an office/BPO building about 8,000 square meters of gross leasable area shall be constructed on the property. For the year ended December 31, 2012, lease payments have been capitalized as construction was still in progress. For the year ended December 31, 2013, Phase 1a (with gross leasable area of 5,000 sqm.) of the retail establishment has commenced operations on September 30, 2013.

On December 18, 2013, the Company has donated the New UPIS facilities at a total cost of ₱224.7 million and the rehabilitated and upgraded UPIS "K-2" and "3-6" Buildings at a cost of ₱40.0 million to the University of the Philippines.

33. **Interest in Joint Operation**

MDC has a 51% interest in Makati Development Corporation - First Balfour, Inc. Joint Venture (the Joint Venture), a joint operation whose purpose is to design and build St. Luke's Medical Center (the Project) in Fort Bonifacio Global City, Taguig. The application of PFRS 11 does not have significant impact on the Group's accounting of its interest in joint operation since it already reported its share in interest in joint operation using proportionate consolidation.

The Project, which started on January 31, 2007, is a world-class medical facility comprising, more or less, of a 611-bed hospital and a 378-unit medical office building, with an approximate gross floor area of 154,000 square meters, which meets international standards, and all standards and guidelines of applicable regulatory codes of the Philippines and complies with the criteria of the Environment of Care of the Joint Commission International Accreditation. The project was completed on October 30, 2009. Activities in 2011 to 2013 mainly pertain to winding down operations and punch listing works.

The share of MDC in the net assets and liabilities of the Joint Venture at December 31, 2014 and 2013 which are included in the consolidated financial statements follow:

	2014	2013
	(In Thousands)	
Current assets:		
Cash and cash equivalents	**₱46,557**	₱65,045
Amounts due from customers for contract work	**–**	–
Other current assets	**47,205**	51,698
Total assets	**₱93,762**	₱116,743
Total liabilities	**₱10,866**	₱18,986

The following is the share of the MDC on the net income of the Joint Venture:

	2014	2013
	(In Thousands)	
Revenue from construction contracts	**₱–**	₱–
Contract costs	**(22,440)**	(1,031)
Interest and other income	**6,513**	946
Loss before income tax	**(15,927)**	(85)
Provision for income tax	**(51)**	85
Net loss	**(₱15,978)**	₱–

The Joint Venture's Management Board declared and paid cash dividends amounting to ₱185.3 million in 2010. Based on 51% share, MDC received ₱94.5 million cash dividends in 2010.

Provision for income tax pertains to the final tax on interest income.

34. **Long-term Commitments and Contingencies**

<u>Commitments</u>
On December 17, 2014, Arvo Commercial Corporation signed a Deed of Absolute Sale with the Philippine National Bank for a parcel of land with an area of 6,003 square meters located at No. 460 Quirino Highway, Brgy. Talipapa, Novaliches, Quezon City.

On November 7, 2014, the Company, SM Prime Holdings, Inc. (SMPHI), the Francisco Ortigas Group (FOG) and the Rafael Ortigas Group (ROG) have signed an agreement to cause the termination of all cases relating to the ownership and management of OCLP Holdings, Inc. (OHI), which owns Ortigas and Company Limited Partnership (OCLP). The agreement establishes a partnership that will further enhance the properties in the Ortigas area and create maximum value for their various stakeholders.

On June 4, 2014, AHRC, a wholly owned subsidiary of the Company has signed a long-term management agreement with the Mandarin Oriental Hotel Group to develop and operate luxury hotel in Makati City. Set to open its doors by 2020, the new Mandarin Oriental Manila will be featuring 275 spacious rooms complemented by an extensive range of modern amenities including premium selection of restaurants and a signature spa.

On May 12, 2014, the Company has signed the terms of reference with Sureste Properties, Inc. (SPI), a wholly owned subsidiary of Bloomberry Resorts Corp. (BLOOM) for the retail area to be opened in the new Phase 1-A of Solaire Resort & Casino. The Company will be the leasing and marketing agent of the said area with gross leasable area of more than 5,000 sqm.

On April 6, 2010, the Company and Manila Water Company (MWC) entered into a Memorandum of Agreement to establish a water utility services company which will manage and operate all water systems in NUVALI, as well as, adjacent projects of the Company in Laguna.

During the past 3 years, the required activities according to the MOA between MWC and the Company were accomplished- like auditing and re-design of the existing water/sewerage assets of several NUVALI and the Company projects in Laguna, water system design reviews and repairs, and developing plans and proposals for the expansion of the area coverage of the water and sewerage system. MWC is currently designing the cost plan and the target completion of the project has not yet been established. However, it is expected that the water and sewer system development shall happen simultaneous with NUVALI's expansion plan. The project will be undertaken in phases and in relation to expected NUVALI build out. The project shall start this year upon the signing of the JVA. MWC is currently re-estimating the project cost because of NUVALI expansion. Finally, on December 23, 2013 LTI signed an agreement with Laguna AAA Water Corporation, to sell the water reticulation system of LTI. Laguna Water took over officially as the exclusive water service provider on December 31, 2013.

In 2009, MWC and the Provincial Government of Laguna formed a joint venture company, Laguna AAA Water Corporation (LAWC). LAWC is a water services company that has concession in the cities of Sta. Rosa, Binan and Cabuyao.

On October 16, 2009, the Company has executed a lease agreement with the Subic Bay Metropolitan Authority (SBMA), for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City. The lease commitment is expected to be completed in 2060 after the 50-year lease term. The lease may be renewed for another 25 years upon mutual agreement of the parties. The Company offered to develop a mall with an estimated gross leasable area of 38,000 square meters. On March 25, 2010, the Company entered into an assignment of lease agreement whereby the Company assigned its rights and obligations granted to or imposed under the lease agreement to its subsidiary, SBTCI. The lease payments to SBMA started from the commencement of the commercial operation of the mall last April 26, 2012 which was completed during the same period.

The Company has an existing contract with BCDA to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease commitment is expected to be completed in 2015. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity. As part of the bid requirement, the Company procured a performance bond in 2003 from the Government Service Insurance System in favor of BCDA amounting to ₱3.9

billion to guarantee the committed capital to BCDA. Moreover, SSECC obtained standby letters of credit to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement.

MDC, in the normal course of business, furnishes performance bonds in connection with its construction projects. These bonds shall guarantee MDC's execution and completion of the work indicated in the respective construction contracts.

Development Commitment
On October 18, 2010, the Company undertook to cause the planning, developing and construction of Anvaya Cove Golf and Sports Club, Inc.'s leisure and recreational facilities. The Company was able to deliver the committed facilities and the Club officially opened its doors to its members in December 7, 2013. The Golf and Sports Clubhouse and the Course and Sports Center were officially conveyed to the Club on May 12, 2014 and May 15, 2014, respectively.

Contingencies
The Group has various contingent liabilities arising in the ordinary conduct of business including a case related to property restriction violation. The estimate of the probable cost for the resolution of this claim has been developed in consultation with outside counsel handling the defense in this matter and is based upon an analysis of potential results. The outcomes of the legal proceedings for various cases are not presently determinable. Accordingly, no provision for any liability has been made in the consolidated financial statements.

In the opinion of management and its legal counsel the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. Disclosures required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, were not provided as it may prejudice the Company's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

35. **Note to Consolidated Statements of Cash Flows**

The noncash activities of the Group pertain to transfers from land and improvements to inventories amounted to ₱10,636.6 million, ₱14,726.2 million and ₱1,194.8 million in 2014, 2013 and 2012 respectively; transfer from land and improvements to investment properties in 2013 amounted to ₱1,463.9 million; transfers from inventories to investment properties amounted to ₱20.7 million and ₱14.1 million in 2013 and 2012 respectively; transfer from inventories to property and equipment amounted to ₱138.8 million and ₱5.4 million in 2014 and 2013, respectively; transfers from investment properties to inventories amounted to ₱827.2 million, ₱45.1 million and ₱116.1 million in 2014, 2013 and 2012 respectively; transfer from investment properties to property and equipment amounted to ₱2.3 million, ₱157.4 million and ₱97.8 million in 2014, 2013 and 2012 respectively; transfers from property and equipment to other assets amounting ₱239.8 million and ₱1,422.7 million in 2014 and 2013 respectively; transfer from investment properties to other assets amounted to ₱8.6 million in 2014; transfers from other assets to investment properties amounted to ₱42.3 million in 2013; transfer from property and equipment to investment property amounting to ₱33.1 million in 2014; transfer from other assets to property and equipment amounting to ₱274.4 million in 2014; transfer from investments in associates and joint ventures to financial assets at FVPL amounted to ₱713.7 million in 2012; other noncash items pertain to business combinations in 2012 (see Note 24).

36. **Events After Reporting Date**

On January 9, 2015, Varejo Corp. was officially renamed as ALI Capital Corp. with an expanded mandate of investing in new profitable businesses that will further boost the company's sources of stable and recurring income. In addition to retailing, ALI Capital's other investment interests include Entertainment, Tourism Estates, Transportation and Asset Management.

On January 12, 2015, the Company has completed a placement of 484,848,500 Ayala Land common shares at a price of ₱33.00 per share, raising proceeds of ₱16 billion. The offer price represents a 3.9% discount to the 5-day volume weighted average price ending January 9, 2015. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, in which Ayala Corporation will sell 484,848,500 listed common shares to investors and subscribe to the same number of new shares from the Company. All proceeds of the placement will be remitted to the Company to support its capital expenditure program for 2015, which is estimated at ₱100.0 billion.

In February 2015, the Company purchased the remaining non-controlling interest of the following:

- Anglo Philippine Holdings Corporation in NTDCC comprising of 382,072 common shares and 1,605,169 preferred shares for ₱523.0 million; and
- Remaining interest of Allante Realty and Development Corporation and DBH, Inc. consisting of 167,548 common shares and 703,904 preferred shares for ₱229.0 million.

This brings the Company's ownership in NTDCC from 63.82% to 73.24% of the total outstanding capital stock of NTDCC, which owns and operates the Trinoma Commercial Centre in North Triangle, Quezon City.

On February 20, 2015, the BOD approved the declaration of cash dividends amounting to ₱0.2075 per outstanding common share. These will be paid out on March 20, 2015 to shareholders on record as of March 6, 2015.

Further, on the same date, the BOD also declared annual cash dividends of 4.74786% per year or ₱0.00474786 per share to all shareholders of the Company's unlisted voting preferred shares. These will be paid out on June 29, 2015 to shareholders on record as of June 15, 2015.

Ayala Land, Inc.

Parent Company Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report

Building a better
working world

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT

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

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Ayala Land, Inc., which comprise the parent company statements of financial position as at December 31, 2014 and 2013, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Ayala Land, Inc. as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 31 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Ayala Land, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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BIR Accreditation No. 08-001998-10-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4751262, January 5, 2015, Makati City

February 20, 2015

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 22 and 25)	**₱7,663,160,440**	₱6,815,233,331
Short-term investments (Notes 4 and 25)	**–**	16,728,117
Financial assets at fair value through profit or loss (Notes 5, 22 and 25)	**1,819,936**	1,805,528
Accounts and notes receivable (Notes 6, 22 and 25)	**31,330,168,407**	33,054,501,225
Inventories (Note 7)	**14,401,120,930**	14,204,917,871
Other current assets (Note 8)	**6,383,976,045**	4,949,059,401
Total Current Assets	**59,780,245,758**	59,042,245,473
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 6 and 25)	**11,085,476,477**	4,842,163,529
Available-for-sale financial assets (Notes 9 and 25)	**214,678,637**	211,288,637
Land and improvements (Note 10)	**48,563,420,187**	42,037,509,551
Investments in subsidiaries, associates and joint ventures (Note 11)	**61,757,811,645**	52,792,013,990
Investment properties (Note 12)	**23,658,506,205**	17,567,342,204
Property and equipment (Note 13)	**823,274,305**	903,883,095
Deferred tax assets - net (Note 21)	**1,817,322,748**	1,943,080,006
Other noncurrent assets (Note 14)	**1,544,328,484**	2,404,046,922
Total Noncurrent Assets	**149,464,818,688**	122,701,327,934
	₱209,245,064,446	₱181,743,573,407
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 15 and 25)	**₱46,994,800,630**	₱35,253,355,133
Short-term debt (Notes 16 and 25)	**8,321,511,981**	3,899,905,419
Current portion of long-term debt (Notes 16, 22 and 25)	**1,087,510,000**	670,995,000
Total Current Liabilities	**56,403,822,611**	39,824,255,552
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 16 and 25)	**63,291,326,919**	56,674,149,435
Pension liabilities (Note 23)	**1,143,403,000**	801,443,400
Deposits and other noncurrent liabilities (Notes 17 and 25)	**8,198,510,326**	8,262,564,354
Total Noncurrent Liabilities	**72,633,240,245**	65,738,157,189
Total Liabilities	**129,037,062,856**	105,562,412,741
Equity		
Paid-in capital (Note 18)	**44,851,468,367**	44,455,042,764
Stock options outstanding (Note 24)	**185,603,851**	198,273,884
Retained earnings (Note 18)	**35,626,106,781**	31,905,288,217
Net unrealized gain on available-for-sale financial assets (Note 9)	**9,865,650**	6,475,650
Remeasurement loss on pension liabilities (Note 23)	**(465,043,059)**	(383,919,849)
Total Equity	**80,208,001,590**	76,181,160,666
	₱209,245,064,446	₱181,743,573,407

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31	
	2014	2013
REVENUE		
Real estate (Notes 12, 19 and 22)	**₱27,535,313,517**	₱24,823,968,178
Dividend income (Note 22)	**6,202,748,453**	4,502,306,134
Interest and investment income (Notes 4, 6 and 22)	**955,446,478**	842,776,746
Other income (Note 20)	**162,066,333**	313,855,942
	34,855,574,781	30,482,907,000
COSTS AND EXPENSES		
Real estate (Notes 20 and 22)	**17,203,183,364**	16,464,488,833
General and administrative expenses (Note 20)	**2,724,296,181**	3,113,830,145
Interest expense and other financing charges (Note 20)	**3,705,227,170**	2,862,660,523
Other charges (Note 20)	**126,770,140**	700,463,857
	23,759,476,855	23,141,443,358
INCOME BEFORE INCOME TAX	**11,096,097,926**	7,341,463,642
PROVISION FOR INCOME TAX (Note 21)		
Current	**1,281,663,192**	1,618,742,988
Deferred	**160,524,349**	(754,281,582)
	1,442,187,541	864,461,406
NET INCOME	**₱9,653,910,385**	₱6,477,002,236

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
Net Income	**₱9,653,910,385**	₱6,477,002,236
Other comprehensive income (loss)		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:		
Net unrealized gain (loss) on available-for-sale financial assets (Note 9)	**3,390,000**	(3,560,000)
Other comprehensive loss not to be reclassified to profit or loss in subsequent years:		
Remeasurement loss on pension liabilities (Note 23)	**(115,890,300)**	(279,329,200)
Tax effect relating to components of other comprehensive loss	**34,767,090**	83,798,760
Total other comprehensive loss - net of tax	**(77,733,210)**	(199,090,440)
Total comprehensive income	**₱9,576,177,175**	₱6,277,911,796

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Years Ended December 31	
	2014	2013
CAPITAL STOCK (Note 18)		
Common Shares - ₱1.00 par value		
Issued		
Balance at beginning of year	**₱14,063,901,537**	₱13,729,402,736
Issuance of shares	**123,150,899**	334,498,801
Balance at end of year	**14,187,052,436**	14,063,901,537
Subscribed		
Balance at beginning of year	**109,385,074**	102,158,868
Additions	**17,202,027**	341,725,007
Issuance of shares	**(123,150,899)**	(334,498,801)
Balance at end of year	**3,436,202**	109,385,074
Preferred Shares - ₱0.10 par value		
Balance at beginning of year	**1,306,649,476**	2,610,109,864
Issuance of shares	**–**	–
Retirement of shares	**–**	(1,303,460,388)
Balance at end of year	**1,306,649,476**	1,306,649,476
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	**29,712,335,383**	18,216,405,532
Additions	**487,987,510**	11,495,929,851
Balance at end of year	**30,200,322,893**	29,712,335,383
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	**(737,228,706)**	(539,476,620)
Additions	**(176,670,886)**	(378,949,938)
Collections	**67,906,952**	181,197,852
Balance at end of year	**(845,992,640)**	(737,228,706)
TOTAL PAID-IN CAPITAL	**44,851,468,367**	44,455,042,764
STOCK OPTIONS OUTSTANDING (Note 24)		
Balance at beginning of year	**198,273,884**	213,758,203
Cost of stock options	**11,844,021**	19,688,006
Stock options exercised	**(24,514,054)**	(35,172,325)
Balance at end of year	**185,603,851**	198,273,884
RETAINED EARNINGS (Note 18)		
Appropriated for future expansion	**6,000,000,000**	6,000,000,000
Unappropriated:		
Balance at beginning of year	**25,905,288,217**	23,557,598,508
Cash dividends		
Common shares - ₱0.41 per share in 2014 and ₱0.29 per share in 2013	**(5,871,053,933)**	(4,067,274,639)
Preferred shares - ₱0.005 per share or 4.75%	**(62,037,888)**	(62,037,888)
Net income	**9,653,910,385**	6,477,002,236
Balance at end of year	**29,626,106,781**	25,905,288,217
	35,626,106,781	31,905,288,217

(Forward)

	Years Ended December 31	
	2014	2013
NET UNREALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS (Note 9)		
Balance at beginning of year	**₱6,475,650**	₱10,035,650
Net changes during the year	**3,390,000**	(3,560,000)
Balance at end of year	**9,865,650**	6,475,650
REMEASUREMENT LOSS ON PENSION LIABILITIES (Note 23)		
Balance at beginning of year	**(383,919,849)**	(188,389,409)
Net changes during the year	**(81,123,210)**	(195,530,440)
Balance at end of year	**(465,043,059)**	(383,919,849)
TREASURY SHARES (Note 18)		
Balance at beginning of year	**–**	(2,127,427,857)
Reissuance	**–**	823,967,469
Retirement	**–**	1,303,460,388
Balance at end of year	**–**	–
	₱80,208,001,590	₱76,181,160,666

Total Comprehensive Income for the Year		
Net income	**₱9,653,910,385**	₱6,477,002,236
Net unrealized gain (loss) on available-for-sale financial assets	**3,390,000**	(3,560,000)
Remeasurement loss on pension liabilities - net of tax	**(81,123,210)**	(195,530,440)
	₱9,576,177,175	₱6,277,911,796

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱11,096,097,926**	₱7,341,463,642
Adjustments for:		
Depreciation (Notes 12, 13 and 20)	**1,039,170,865**	1,058,187,700
Interest expense (Note 20)	**3,478,127,630**	2,616,864,170
Cost of share-based payments (Note 24)	**196,089,149**	232,659,000
Provision for impairment losses and write-offs (Note 20)	**71,661,311**	178,685,841
Gain on financial assets at fair value through profit or loss (Note 20)	**(14,408)**	(12,681,934)
Unrealized forex loss (gain)	**(10,306,074)**	195,799,575
Gain on sale of investment in subsidiaries (Notes 11 and 20)	**–**	(30,547,579)
Gain on sale of property and equipment (Note 20)	**(17,028,690)**	(13,332,862)
Interest income	**(955,446,478)**	(842,776,746)
Dividend income	**(6,202,748,453)**	(4,502,306,134)
Operating income before changes in working capital	**8,695,602,778**	6,222,014,673
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Accounts and notes receivable	**2,208,154,700**	(1,832,703,379)
Inventories (Notes 7 and 29)	**3,760,886,185**	(1,327,757,811)
Other current assets	**(1,395,485,988)**	(1,617,435,974)
Increase in:		
Accounts and other payables (Note 15)	**11,610,192,869**	15,098,661,822
Pension liabilities (Note 23)	**226,069,300**	173,879,200
Cash generated from operations	**25,105,419,844**	16,716,658,531
Dividends received	**6,192,173,091**	4,524,285,541
Interest received	**956,746,058**	842,448,086
Income tax paid	**(1,375,010,073)**	(1,274,147,755)
Interest paid	**(3,292,958,778)**	(2,506,643,814)
Net cash provided by operating activities	**27,586,370,142**	18,302,600,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal/maturity/redemption of:		
Investments in subsidiaries, associates and joint ventures (Note 11)	**1,395,063,973**	1,257,992,820
Financial assets at fair value through profit or loss	**–**	22,040,875,339
Short-term investments (Note 4)	**16,728,117**	–
Property and equipment (Note 13)	**19,254,054**	14,610,964

(Forward)

	Years Ended December 31	
	2014	2013
Available-for-sale financial assets (Note 9)	**₱–**	₱103,000,000
Investment properties (Note 12)	**–**	20,573,394
Purchases/additions to:		
Short-term investments and financial assets at FVPL	**–**	(22,030,223,632)
Property and equipment (Note 13)	**(165,970,332)**	(250,305,847)
Land and improvements (Notes 10 and 29)	**(10,482,999,880)**	(15,890,756,748)
Investment properties (Note 12)	**(6,885,981,108)**	(2,032,078,654)
Investments in subsidiaries, associates and joint ventures (Note 11)	**(10,360,861,628)**	(12,173,120,135)
Increase in:		
Noncurrent accounts and notes receivable (Note 6)	**(2,006,602,127)**	(15,350,390,057)
Other noncurrent assets	**(3,923,199,794)**	(1,885,023,618)
Net cash used in investing activities	**(32,394,568,725)**	(46,174,846,174)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debts (Note 16)	**12,938,709,072**	28,427,874,794
Proceeds from capital stock subscriptions	**187,666,421**	9,790,113,802
Payments of short-term and long-term debts (Note 16)	**(1,473,103,952)**	(10,533,483,648)
Proceeds from reissuance of treasury shares	**–**	2,425,613,120
Payments of cash dividends (Note 18)	**(5,933,091,821)**	(4,137,465,528)
Increase (decrease) in deposits and other noncurrent liabilities (Note 17)	**(64,054,028)**	1,690,035,907
Net cash provided by financing activities	**5,656,125,692**	27,662,688,447
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**847,927,109**	(209,557,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,815,233,331**	7,024,790,469
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱7,663,160,440**	₱6,815,233,331

See accompanying Notes to Parent Company Financial Statements.

AYALA LAND, INC.
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. **Corporate Information**

Ayala Land, Inc. (the "Parent Company") is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines. The Parent Company is a subsidiary of Ayala Corporation (AC). AC is a publicly listed company, 49.03%-owned by Mermac, Inc., 10.18%-owned by Mitsubishi Corporation, and the rest by the public. The Parent Company's registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

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

The accompanying parent company financial statements were endorsed for approval by the Audit Committee on February 16, 2015 and were approved and authorized for issue by the Board of Directors (BOD) on February 20, 2015.

2. **Summary of Significant Accounting Policies**

<u>Basis of Preparation</u>
The accompanying parent company financial statements have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and quoted available-for-sale (AFS) financial assets that have been measured at fair value. The Parent Company's presentation and functional currency is the Philippine Peso (₱). All amounts are rounded off to the nearest peso unless otherwise indicated.

<u>Statement of Compliance</u>
The parent company financial statements of Ayala Land, Inc., which are prepared for submission to the Philippine Securities and Exchange Commission (SEC) and to the Bureau of Internal Revenue (BIR), are presented in compliance with Philippine Financial Reporting Standards (PFRS). The Parent Company also prepares and issues financial statements presented in compliance with PFRS which can be obtained from the Parent Company's registered address.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which became effective January 1, 2014.

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

Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)
These amendments 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. The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no impact to the Parent Company.

PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These amendments have no impact on the Parent Company, since the Parent Company has no offsetting arrangements.

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 and retrospective application is required. These amendments have no impact on the Parent Company as the Parent Company has not novated its derivatives during the current or prior periods.

PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. The application of these amendments has no material impact on the disclosure in the Parent Company's financial statements.

Philippine Interpretation IFRIC 21, *Levies*
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. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Parent Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle)
In the 2010 - 2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Parent Company.

Annual Improvements to PFRSs (2011-2013 cycle)
In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Parent Company as it is not a first time PFRS adopter.

The following new standards and amendments issued by the IASB were already adopted by the Philippine Financial Reporting Standards Council (FRSC) but are still for approval by Board of Accountancy (BOA).

Effective 2015

PFRS 9, *Financial Instruments - Classification and Measurement (2010 version)*
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. 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 FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the FRSC. Such adoption, however, is still for approval by the BOA.

PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Parent Company as it does not have any defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The *Annual Improvements to PFRSs* (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Parent Company. They include:

PFRS 2*, Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a 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 PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9*, Financial Instruments*, if early adopted). The Parent Company shall consider this amendment for future business combinations.

PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The *Annual Improvements to PFRSs* (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Parent Company. They include:

PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).

PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective 2016

PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective

prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company given that the Parent Company has not used a revenue-based method to depreciate its noncurrent assets.

PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company as the Parent Company does not have any bearer plants.

PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

PFRS 10, *Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Parent Company.

PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Parent Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The *Annual Improvements to PFRSs* (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Parent Company. They include:

PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

PAS 19, *Employee Benefits - regional market issue regarding discount rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective 2018

PFRS 9, *Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The Parent Company is currently assessing the impact of adopting this standard.

PFRS 9, *Financial Instruments (2014 or final version)*
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 is not expected to have any significant impact on the Parent Company's financial statements.

Deferred Effectivity

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 FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Parent Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company 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 for which fair value is measured or disclosed in the 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 or 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 financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing 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.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Parent Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Parent Company' external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, corporate finance analyzes the movements in the values of assets which are required to be re-measured or re-assessed as per the Parent Company's accounting policies.

The Parent Company, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as previously explained.

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

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

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax expense or benefit.

As of December 31, 2014 and 2013, the Parent Company's financial instruments are of the nature of financial assets at FVPL, AFS financial assets, loans and receivables and other financial liabilities.

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the Parent Company statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where an unobservable data is used, the difference between the transaction price and model value is only recognized in statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the "Day 1" difference amount.

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria is met:

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

Financial assets at FVPL are recorded in the parent company statement of financial position at fair value, with changes in the fair value recorded in the parent company statement of income, included under “Other income” or “Other charges” account.

As of December 31, 2014 and 2013, the Parent Company holds its investment in Unit Investment Trust Fund (UITF) BPI Short-term fund as held for trading and classified these as financial assets at FVPL (see Note 5). Management takes the view tha these are held for trading and are a portfolio of diversified short term fixed income instruments invested and managed by professional managers.

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

The amortization is included under “Interest and investment income” account in the parent company statement of income. Gains and losses are recognized in the parent company statement of income under “Other income” or “Other charges” when the HTM investments are derecognized and impaired.

As of December 31, 2014 and 2013, the Parent Company has no HTM investments.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at

FVPL. This accounting policy relates to the parent company statement of financial position captions “Cash and cash equivalents”, “Short-term investments” and “Accounts and notes receivable” except for “Advances to contractors and suppliers”.

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

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

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

When the fair value of the AFS financial assets cannot be measured reliably because of lack of reliable estimation of future cash flows and discount rates necessary to calculate the fair value of computed equity instruments, these investments are carried at cost less allowance for impairment losses.

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

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

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the parent company statement of income under “Other income” or “Other charges” account. Where the Parent Company holds more than one investment in the same security, these are deemed to be disposed of on a weighted-average basis. Dividends earned on holding AFS financial assets are recognized in the parent company statement of income as “Dividend income” when the right to receive the payment has been established.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within twelve (12) months from reporting date.

As of December 31, 2014 and 2013, the Parent Company’s AFS financial assets include quoted and unquoted equity securities.

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

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

This accounting policy applies primarily to the Parent Company's accounts and other payables, short-term and long-term debts and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Impairment of Financial Assets

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

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

Loans and receivables

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

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

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

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

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

Financial asset carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

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

<u>Derecognition of Financial Assets and Liabilities</u>
Financial asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
a. the right to receive cash flows from the asset has expired;
b. the Parent Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
c. the Parent Company has transferred its right to receive cash flows from the asset and either; (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control of the asset.

When the Parent Company has transferred its right to receive cash flows from an asset or has entered into a 'pass-through' arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability has expired, or is discharged or cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of income.

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

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

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

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

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

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

Input Value-Added Tax (VAT)
Input VAT arises from the purchase of goods and services. These are applied against output VAT. The remaining balance is recoverable in future periods.

Prepaid Expenses
Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance. Prepaid expenses are initially recorded at cost and are subsequently charged to profit or loss as they are consumed.

Deposits in escrow
Deposits in escrow pertain to the proceeds from the sale of the Parent Company's projects that have only been granted temporary License to Sell (LTS) as of reporting date. These proceeds are deposited in a local bank and earn interest at prevailing bank deposit rates. "Deposits in escrow" account is not presented as part of cash but rather as part of other current assets. It is restricted as to use but will be released upon the grant of permanent LTS.

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

A transfer is made from land and improvements at the time the property is utilized in the development of real estate to be sold in the ordinary course of business, to be held for lease to another party, or for owner-occupation. Cost transferred is the carrying amount of the property at the time of the transfer.

Investments in Subsidiaries, Associates and Joint Ventures
The Parent Company's investments in its subsidiaries, associates and joint ventures are accounted for under the cost method and are carried at cost less accumulated provisions for impairment losses, if any. A subsidiary is an entity over which the Parent Company has control. The Parent Company controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Parent Company has a significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction of the cost of the investment.

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

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

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred. Subsequent costs are included in the asset's carrying amount only when it is probable that the future economic benefits associated with the asset will flow to the Parent Company and the cost of the item can be measured reliably.

Construction in progress is carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation. Construction in progess is not depreciated until such time that the relevant assets are available for their intended use.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties. The estimated useful lives of buildings are 20-40 years.

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the parent company statement of income in the year of retirement or disposal.

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

Property and Equipment
Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use, including borrowing costs.

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

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

	Years
Buildings and improvements	20-40
Furniture, fixtures and office equipment	3-10
Transportation equipment	3-5

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

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

A transfer is made to property and equipment when there is a change in use, evidenced by the commencement of owner-occupation. A transfer from property and equipment is made when there is a change in the intended use of such asset. This is evidenced by ending of owner-occupation, commencement of an operating lease to another party or when an item of property and equipment is to be sold in the ordinary course of business. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement and disclosure purposes.

Fully depreciated property and equipment are retained in the accounts while still in use although no further depreciation is credited or charged to current operations.

<u>Impairment of Nonfinancial Assets</u>
The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of income in those expense categories consistent with the function of the impaired asset.

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

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

Investments in subsidiaries, associates and joint ventures
The Parent Company determines at each reporting date whether there is any objective evidence that the investment in subsidiaries, associates or joint ventures is impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount and the carrying value of the investee company and recognizes the difference in the parent company statement of income.

In assessing impairment indicators, the Parent Company considers, as a minimum, the following indicators: (a) dividends exceeding the total comprehensive income of the investee in the period the dividend is declared; or (b) the carrying amount of the investment in the separate financial statements exceeding the carrying amount of the investee's net assets, including goodwill.

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

For deposits, the difference between the cash received and its fair value is deferred and amortized using the straight-line method under the “Interest and investment income” account in the parent company statement of income. Accretion of discount is recognized under “Interest expense and other financing charges” in the parent company statement of income.

Pension Cost

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

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

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

Share-based Payments

The Parent Company has equity-settled, share-based compensation plans with its employees.

PFRS 2 options

For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using the Black-Scholes model, further details of which are presented in Note 24.

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

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

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

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

The exercise of the options will result in the issuance of the corresponding number of common shares with an increase in "Paid-in capital" and a decrease in "Stock options outstanding" accounts.

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

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

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

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

Retained earnings represent accumulated earnings of the Parent Company less dividends declared.

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

<u>Revenue and Cost Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured.

For real estate sales, the Parent Company assesses whether it is probable that the economic benefits will flow to the Parent Company when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Parent Company has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the proportion of cost incurred to date to the estimated total costs.

Any excess of collections over the recognized receivables are included in the “Accounts and other payables” account in the liabilities section of the parent company statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the “Accounts and other payables” account in the liabilities section of the parent company statement of financial position.

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

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

Dividend income is recognized when the Parent Company’s right to receive payment is established.

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

Management fees from administration and property management and other fees are recognized when services are rendered.

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

<u>Expenses</u>
Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Parent Company as lessor
Leases where the Parent Company does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the parent company statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow all or part of the deferred tax assets to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

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

Value-Added Tax
Revenue, expenses and assets are recognized net of the amount of sales tax except:
- Where the tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the parent company statement of financial position.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Segment Reporting
The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 26.

Provisions
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events after the Reporting Date
Post year-end events up to the date when the financial statements are authorized for issue that provide additional information about the Parent Company's financial position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the parent company financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

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

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

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

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

Classification of club shares
Being a real estate developer, the Parent Company determines how these shares shall be accounted for. In determining whether these shares shall be accounted for as either inventories or financial instruments, the Parent Company considers its role in the development of the club and its intent for holding these shares.

The Parent Company classifies such shares as inventories when the Parent Company acts as the developer and its intent is to sell a developed property together with the club share.

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

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

NTDCC
The Parent Company is the single largest shareholder of NTDCC with a 63.8% and 49.3% equity interest as of December 31, 2014 and 2013, respectively. The remaining 36.2% of the equity shares in NTDCC as of December 31, 2014 are held by three other shareholders. All the other shareholders need to act collectively for control. There is no history of other shareholders voting jointly.

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

BGWest
For the BGWest, wherein the Parent Company and the other shareholder each own 50% of the voting rights, the Parent Company controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled the Parent Company to conclude that it has control.

Significant influence on investees even if the Parent Company holds less than 20% of voting rights
The Parent Company considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies (see Note 11).

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

Impairment of AFS equity investments
The Parent Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost, or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 20% or more and 'prolonged' as greater than six (6) months for quoted equity securities. In addition, the Parent Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (see Note 9).

Contingencies
The Parent Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Parent Company currently does not believe that these proceedings will have a material effect on the Parent Company's financial position (see Note 28).

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

Revenue and cost recognition
The Parent Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Parent Company's revenue from real estate recognized based on the percentage-of-completion are measured principally on the basis of the proportion of cost incurred to date to the estimated total costs (see Notes 19 and 20).

Estimating allowance for impairment losses
The Parent Company maintains allowance for doubtful accounts based on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Parent Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Parent Company to group its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year (see Note 6).

Evaluation of the NRV of real estate inventories and land and improvements
The Parent Company adjusts the cost of its real estate inventories and land and improvements to net realizable value based on its assessment of the recoverability of the inventories. In determining the recoverability of the inventories and land and improvements, management considers whether those inventories and land and improvements are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized (see Notes 7 and 10).

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

As described in the accounting policy, the Parent Company estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that may affect investments in subsidiaries, associates and joint ventures, investment properties, property and equipment, and other noncurrent assets (see Notes 11, 12, 13 and 14).

Estimating useful lives of investment properties and property and equipment
The Parent Company estimates the useful lives of its investment properties and property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of investment properties and property and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above (see Notes 12 and 13).

Determining the fair value of investment properties
The Parent Company discloses the fair values of its investment properties in accordance with PAS 40. The Parent Company engaged an independent valuation specialist to assess the fair values as at December 31, 2014 and 2013. The Parent Company's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market-based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Recognizing deferred tax assets
The Parent Company reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Parent Company will generate sufficient taxable profit to allow all or part of deferred tax assets to be utilized. The Parent Company looks at its projected performance in assessing the sufficiency of future taxable income (see Note 21).

Share-based payments
The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Parent Company (see Note 24).

Estimating pension liabilities and other retirement benefits
The determination of the Parent Company's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Significant assumptions are disclosed in Note 23 and include among others, discount rate and salary increase rate.

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

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

While the Parent Company believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions could materially affect retirement obligations. See Note 23 for the related balances.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded and disclosed in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques and generally accepted market valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Comparison of carrying values and fair values are shown in Note 25.

4. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents consist of:

	2014	2013
Cash on hand	**₱2,853,223**	₱2,884,871
Cash in banks	**1,382,884,962**	603,462,651
Cash equivalents	**6,277,422,255**	6,208,885,809
	₱7,663,160,440	₱6,815,233,331

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term investment rates ranging from 0.10% to 3.90% and 0.20% to 1.50% in 2014 and 2013, respectively.

Short-term investments consist of money market placements amounting to nil and ₱16.7 million as of December 31, 2014 and 2013, respectively. Short-term investments are money market placements made for varying periods of more than three (3) months and up to six (6) months and earn interest at the respective short-term investment rates.

5. Financial Assets at FVPL

The Parent Company invested in the BPI Short-Term Fund (the Fund) in July 2013. The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. It has no minimum holding period and the Bangko Sentral ng Pilipinas (BSP) Special Deposit Account accounted for close to 70% of the Fund. As of December 31, 2014 and 2013, the total Net Asset Value (NAV) of the Fund is ₱54,207.2 million and ₱56,199.0 million, with duration of 19 days and 15 days, respectively. The fair value of the Parent Company's total investment in the Fund amounted to ₱1.8 million as of December 31, 2014 and 2013.

The fair value of the investment in UITF is valued at ₱138.25 and ₱136.74 NAV per unit as at December 31, 2014 and 2013, respectively, and is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available such as quoted market prices or dealer quotes for similar instruments. Thus, the fair value measurement is categorized under Level 2 of fair value hierarchy.

6. **Accounts and Notes Receivable**

Accounts and notes receivable are summarized as follows:

	2014	2013
Trade		
Residential development	**₱11,554,293,279**	₱6,414,883,875
Shopping centers	**1,062,024,346**	956,401,717
Corporate business	**512,009,502**	360,504,070
Rent receivables	**37,308,670**	34,618,767
Others	**132,854,210**	79,450,397
Receivable from related parties (Note 22)	**21,396,303,761**	25,909,306,904
Advances to other companies	**5,302,478,069**	1,730,105,383
Advances to contractors and suppliers	**2,198,966,940**	1,590,983,512
Investment in bonds classified as loans and receivables	**450,000,000**	1,000,000,000
Receivable from employees	**100,484,457**	89,130,333
Dividends receivable	**23,687,821**	13,112,459
Interest receivable (Note 22)	**16,503,864**	17,803,444
	42,786,914,919	38,196,300,861
Less allowance for impairment losses	**371,270,035**	299,636,107
	42,415,644,884	37,896,664,754
Less noncurrent portion	**11,085,476,477**	4,842,163,529
	₱31,330,168,407	₱33,054,501,225

The classes of trade receivables of the Parent Company follow:

- Residential development - pertains to receivables from the sale of high-end and upper middle-income residential lots and units, sale of commercial lots, and leisure community developments.
- Shopping centers - pertain to lease receivables of retail space.
- Corporate business - pertain to lease receivables of office buildings.
- Rent receivables - pertain to lease receivables of Ayala Property Management Corporation (APMC) - administered properties.
- Other trade receivables - pertain mainly to receivables from facility management and other support services.

The sales contracts receivables, included under residential development, are collectible in monthly installments over a period of one (1) to ten (10) years and bear annual interest rates ranging from 3% to 16% computed on the diminishing balance of the principal. Titles to real estate properties are not transferred to the buyers until full payment has been made.

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

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

Receivable from related parties, dividends receivable and interest receivable are due and demandable.

Advances to other companies pertain to advances to third party joint venture partners. These include current and long-term advances which are interest and noninterest-bearing.

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

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

- ₱200.0 million investment in 7.25% unsecured subordinated notes of Land Bank of the Philippines (LBP) due in 2019, callable with step-up interest in 2014. The note was redeemed in full by LBP on June 10, 2014.
- ₱100.0 million investment in 5.88% unsecured subordinated notes of LBP due 2022, callable in 2017.
- ₱200.0 million investment in 5.75% unsecured subordinated notes of Development Bank of the Philippines due in 2022, callable in 2017.
- ₱500.0 million investment in 5.75% collateralized bonds of First Metro Investment Corp. due in 2019, callable in 2017. As of December 31, 2014, the Parent Company's investment in the bond amounted to ₱150.0 million since the investment was partially redeemed on November 2014. No gain or loss was recognized on the redemption.

Receivables from employees pertain to housing, car, salary and other loans granted to employees which are collectible through salary deduction. These loans are interest-bearing and have various maturity dates.

Receivables amounting to ₱371.3 million and ₱299.6 million as of December 31, 2014 and 2013, respectively, were impaired and fully provided with allowance. Movements in the allowance for impairment losses on receivables follow:

2014

	Trade			
	Shopping centers	**Others**	**Advances to other companies**	**Total**
Balance at beginning of year	**₱92,160,763**	**₱47,091,223**	**₱160,384,121**	**₱299,636,107**
Provisions during the year (Note 20)	**71,661,311**	**–**	**–**	**71,661,311**
Accounts written off	**(27,383)**	**–**	**–**	**(27,383)**
Balance at end of year	**₱163,794,691**	**₱47,091,223**	**₱160,384,121**	**₱371,270,035**
Individually impaired	**₱99,289,225**	**₱47,091,223**	**₱160,384,121**	**₱306,764,569**
Collectively impaired	**64,505,466**	**–**	**–**	**64,505,466**
Total	**₱163,794,691**	**₱47,091,223**	**₱160,384,121**	**₱371,270,035**
Gross amounts of receivables individually determined to be impaired	**₱99,289,225**	**₱47,091,223**	**₱160,384,121**	**₱306,764,569**

2013

	Trade			
	Shopping centers	Others	Advances to other companies	Total
Balance at beginning of year	₱113,000,000	₱47,091,223	₱50,019,322	₱210,110,545
Provisions during the year (Note 20)	30,753,730	–	110,364,799	141,118,529
Accounts written off	(51,592,967)	–	–	(51,592,967)
Balance at end of year	₱92,160,763	₱47,091,223	₱160,384,121	₱299,636,107
Individually impaired	₱81,894,797	₱47,091,223	₱160,384,121	₱289,370,141
Collectively impaired	10,265,966	–	–	10,265,966
Total	₱92,160,763	₱47,091,223	₱160,384,121	₱299,636,107
Gross amounts of receivables individually determined to be impaired	₱81,894,797	₱47,091,223	₱160,384,121	₱289,370,141

As of December 31, 2014 and 2013, trade receivables - residential development with nominal amounts of ₱13,826.4 million and ₱7,970.2 million, respectively, were initially recorded at fair value. The fair values of the receivables were obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Parent Company's receivables as of December 31, 2014 and 2013 follow:

	2014	2013
Balance at beginning of year	**₱1,555,282,905**	₱ 773,864,993
Additions during the year	**1,440,319,469**	1,312,282,253
Accretion for the year	**(723,512,590)**	(530,864,341)
Balance at end of year	**₱2,272,089,784**	₱1,555,282,905

In 2014 and 2013, the Parent Company entered in an agreement with BPI for the sale of interest-bearing employee receivables amounting to ₱105.4 million and ₱121.6 million, respectively at 6% interest rate. The transactions were without recourse and did not result to any gain or loss.

7. Inventories

This account consists of:

	2014	2013
Real estate		
Residential and commercial lots		
At cost	**₱10,232,996,122**	₱10,388,793,326
At NRV	**936,183,474**	936,183,474
Residential and commercial units - at cost	**1,938,911,157**	1,548,959,060
Club shares - at cost	**1,293,030,177**	1,330,982,011
	₱14,401,120,930	₱14,204,917,871

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

2014

	Residential and commercial lots	**Residential and commercial units**	**Club shares**	**Total**
Balances at beginning of year	**₱11,324,976,800**	**₱1,548,959,060**	**₱1,330,982,011**	**₱14,204,917,871**
Land cost transferred from land and improvements (Note 10)	**3,957,089,244**	**–**	**–**	**3,957,089,244**
Construction/development costs incurred	**1,719,471,587**	**5,711,741,334**	**–**	**7,431,212,921**
Disposals (recognized as cost of real estate sales) (Note 20)	**(5,832,358,035)**	**(5,321,789,237)**	**(37,951,834)**	**(11,192,099,106)**
Balances at end of year	**₱11,169,179,596**	**₱1,938,911,157**	**₱1,293,030,177**	**₱14,401,120,930**

2013

	Residential and commercial lots	Residential and commercial units	Club shares	Total
Balances at beginning of year	₱2,757,632,137	₱1,296,306,390	₱1,389,376,118	₱5,443,314,645
Land cost transferred from land and improvements (Note 10)	7,431,429,949	2,415,466	–	7,433,845,415
Construction/development costs incurred	8,997,564,114	3,318,539,939	–	12,316,104,053
Disposals (recognized as cost of real estate sales) (Note 20)	(7,861,649,400)	(3,068,302,735)	(58,394,107)	(10,988,346,242)
Balances at end of year	₱11,324,976,800	₱1,548,959,060	₱1,330,982,011	₱14,204,917,871

The cost of the inventories carried at NRV amounted to ₱2,524.0 million as of December 31, 2014 and 2013. The Parent Company recorded no provision for impairment in 2014 and 2013.

8. Other Current Assets

This account consists of:

	2014	2013
Value-added input tax - net	**₱2,375,441,663**	₱2,488,854,208
Prepaid expenses	**1,644,612,342**	1,193,615,720
Deposits in escrow	**1,357,146,637**	440,691,327
Prepaid income tax	**1,000,747,447**	820,549,578
Materials and supplies	**6,027,956**	5,348,568
	₱6,383,976,045	₱4,949,059,401

The value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods. The Parent Company's value-added input tax arises mainly from the acquisition of the FTI property (see Note 10).

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

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

Prepaid income tax pertains to the excess of payments made against current income tax due which can be claimed against income tax for future periods.

9. Available-for-Sale Financial Assets

This account consists of investments in shares of stock broken down as follows:

	2014	2013
Unquoted (net of allowance for impairment losses of ₱16.8 million in 2012)	**₱192,214,638**	₱192,214,638
Quoted	**12,598,349**	12,598,349
	204,812,987	204,812,987
Net unrealized gain	**9,865,650**	6,475,650
	₱214,678,637	₱211,288,637

Investments in unquoted shares of stock include unlisted shares in tourism and leisure, utilities and energy, financial asset management and real estate companies which the Parent Company will continue to carry for its real estate development projects. These are carried at cost less impairment, if any.

In 2012, the Parent Company recorded provision for impairment losses on investments in unquoted shares amounting to ₱16.8 million.

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

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

	2014	2013
Balance at beginning of year	**₱6,475,650**	₱10,035,650
Fair value changes during the year	**3,390,000**	440,000
Derecognition of unrealized gain due to redemption of shares at par	**–**	(4,000,000)
Balance at end of year	**₱9,865,650**	₱6,475,650

The following tables provide the fair value hierarchy of the Parent Company's AFS financial assets which are measured at fair value:

2014

	Date of Valuation	**Total**	**Fair value measurement using** Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Tourism and leisure	**December 31,2014**	**₱22,464**	₱22,464	₱–	₱–
Unquoted					
Tourism and leisure	**Various**	**164,611**	–	–	164,611
Utilities and energy	**Various**	**15,716**	–	–	15,716
Financial asset management	**Various**	**10,729**	–	–	10,729
Real estate	**Various**	**1,159**	–	–	1,159

2013

	Date of Valuation	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Tourism and leisure	December 31,2013	₱19,074	₱19,074	₱–	₱–
Unquoted					
Tourism and leisure	Various	164,611	–	–	164,611
Utilities and energy	Various	15,716	–	–	15,716
Financial asset management	Various	10,729	–	–	10,729
Real estate	Various	1,159	–	–	1,159

10. **Land and Improvements**

The rollforward analysis of this account follows:

	2014	2013
Cost		
Balance at beginning of year	**₱42,547,634,153**	₱34,090,722,820
Additions	**10,482,999,880**	15,890,756,748
Transfers (Note 7)	**(3,957,089,244)**	(7,433,845,415)
Balance at end of year	**49,073,544,789**	42,547,634,153
Allowance for impairment losses		
Balance at beginning and end of year	**510,124,602**	510,124,602
	₱48,563,420,187	₱42,037,509,551

In 2012, the Parent Company won the public bidding for the purchase of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig. The bid was conducted in accordance with the Asset Specific Bidding Rules dated July 4, 2012 and in accordance with the provisions of Executive Order No. 323. The Parent Company's bid was ₱24.3 billion.

In October 2012, the Parent Company entered into a Purchase Agreement wherein FTI agrees to sell, convey, assign and transfer and deliver to the Parent Company, and the latter agrees to purchase and acquire from FTI, all of its rights and interests in the property. The property is designed to be a mixed-use development.

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

The Parent Company's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the National Economic Development Authority (NEDA) Joint Venture Guidelines, features the development of a new Central Business District (CBD) in Quezon City. The CBD will be developed as the Philippines' first transit-oriented, mixed-use central business district that will be a new nexus of commercial activity.

The proposal also aims to benefit the NHA in achieving its mandate of providing housing for informal settlers and transforming a non-performing asset in a model for urban renewal. The development will also generate jobs and revenue both for the local and national governments.

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

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

11. **Investments in Subsidiaries, Associates and Joint Ventures**

The Parent Company's investments in subsidiaries, associates and joint ventures accounted for under the cost method of accounting, adjusted for impairment losses, if any, and the related percentages of ownership are shown below:

	Percentages of Direct Ownership		Carrying Amounts	
	2014	2013	**2014**	2013
Subsidiaries:				
Avida Land Corporation and Subsidiaries (Avida)	**100%**	100%	**₱6,689,977,831**	₱6,689,977,830
Amaia Land Corporation and Subsidiary (Amaia)	**100**	100	**4,506,931,640**	4,506,931,640
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	**100**	100	**4,430,432,000**	4,430,432,000
Southgateway Development Corp. (SDC)	**100**	100	**4,047,717,118**	5,000,000
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corporation (APPCo.))	**100**	100	**3,930,136,376**	3,930,136,376
Amorsedia Development Corporation (ADC) and Subsidiaries	**100**	100	**2,274,943,627**	2,274,943,627
North Triangle Depot Commercial Corporation (NTDCC)	**64**	49	**2,008,923,634**	937,362,993
BellaVita Land Corporation (BellaVita)	**100**	100	**1,910,820,000**	1,910,820,000
Arvo Commercial Corporation (Arvo)	**100**	100	**1,800,000,000**	782,500,000
Fairview Prime Commercial Corp. (Fairview Prime) (formerly Gisborne Property Holdings, Inc. (GPHI))	**100**	100	**1,748,275,767**	1,602,406,250
Regent Wise Investment Ltd. and Subsidiary (Regent Wise)	**100**	100	**1,739,145,866**	1,530,775,317
Summerhill E-Office Corporation (Summerhill)	**100**	100	**1,720,393,373**	1,238,393,373
Cebu Holdings, Inc. (CHI) and Subsidiaries	**50**	50	**1,604,706,260**	1,604,706,260
Vesta Property Holdings, Inc. (VPHI)	**70**	70	**1,503,877,800**	1,503,877,800
Roxas Land Corporation (RLC)	**50**	50	**1,419,597,960**	1,419,597,960
ALI Capital Corp. (formerly Varejo Corp.)	**100**	100	**1,339,000,000**	728,500,000
Aurora Properties Incorporated (API)	**78**	78	**1,141,840,506**	1,141,840,506
Cagayan De Oro Gateway Corporation (CDOGC)	**70**	70	**867,680,000**	867,680,000
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	**100**	60	**787,500,000**	461,780,000
Accendo Commercial Corp. (Accendo)	**67**	67	**774,197,062**	774,197,062
Ecoholdings Company, Inc. (Ecoholdings)	**100**	100	**718,368,400**	1,441,368,400
Ceci Realty, Inc. (Ceci)	**60**	60	**699,785,665**	686,120,250
North Beacon Commercial Corporation (NBCC)	**100**	100	**691,000,000**	691,000,000
Alveo Land Corporation and Subsidiary (Alveo)	**100**	100	**677,613,403**	677,613,403
Crans Montana Holdings, Inc. (CMHI)	**100**	100	**587,591,900**	587,591,900
Nuevo Centro, Inc. (NCI)	**100**	100	**587,500,000**	587,500,000
Station Square East Commercial Corporation (SSECC)	**69**	69	**510,923,179**	615,803,179
Subic Bay Town Centre, Inc. (SBTCI)	**100**	100	**508,500,000**	650,000,000
Ten Knots Development Corporation and Subsidiaries (TKDC)	**60**	60	**495,000,000**	495,000,000
Ayalaland MetroNorth, Inc. (AMNI)	**100**	100	**486,500,000**	1,000,000
Adauge Commercial Corporation (Adauge)	**72**	87	**450,000,000**	450,000,000
Whiteknight Holdings, Inc. (WHI)	**100**	100	**438,960,884**	373,460,884
Red Creek Properties, Inc. (RCPI)	**100**	100	**431,511,128**	431,511,128
Ayala Hotels, Inc. (AHI)*	**50**	50	**415,022,538**	415,022,538
Cavite Commercial Town Centre, Inc. (CCTC)	**100**	100	**403,406,250**	403,406,250
AyalaLand Commercial REIT, Inc. (ALCRI)	**100**	100	**300,000,000**	300,000,000
Westview Commercial Ventures Corp. (Westview)	**100**	100	**282,797,116**	282,797,116
Serendra, Inc. (Serendra)	**28**	28	**266,027,100**	266,027,100
Alabang Commercial Corporation (ACC)	**50**	50	**258,431,769**	258,431,769
BGWest Properties, Inc. (BG West)	**50**	50	**250,000,000**	250,000,000
Crimson Field Enterprises, Inc. (CFEI)	**100**	100	**219,714,272**	219,714,272
Soltea Commercial Corp. (Soltea)	**60**	60	**218,100,001**	600,000

	Percentages of Direct Ownership		Carrying Amounts	
	2014	2013	**2014**	2013
First Longfield Investments Limited (FLIL)	**100%**	100%	**₱167,923,610**	₱295,349,197
Sunnyfield E-Office Corporation (Sunnyfield)	**100**	100	**153,000,000**	153,000,000
Ayala Land International Sales, Inc. and Subsidiary (ALISI)	**100**	100	**138,700,000**	122,500,000
ALInet.com, Inc. (ALInet)	**–**	100	**130,482,764**	130,482,764
Hillsford Property Corporation (HPC)	**100**	100	**127,750,000**	127,750,000
ALI-CII Development Corporation (ALI-CII)	**50**	50	**102,765,300**	102,765,300
Ten Knots Philippines, Inc. and Subsidiary (TKPI)	**60**	60	**93,131,600**	93,131,600
Primavera Towncentre, Inc. (PTI)	**100**	100	**91,000,000**	91,000,000
Aviana Development Corporation (Aviana)	**50**	50	**61,250,000**	50,000
Makati Development Corporation (MDC)	**100**	100	**50,958,813**	50,958,813
Aprisa Business Process Solutions (Aprisa)	**100**	100	**40,000,000**	40,000,000
Directpower Services, Inc. (DirectPower)	**100**	100	**40,000,000**	40,000,000
Laguna Technopark, Inc. (LTI)	**75**	75	**30,229,290**	30,229,290
CMPI Holdings, Inc. (CMPI)	**60**	60	**28,800,000**	28,800,000
Leisure and Allied Industries Philippines, Inc. (LAIP)	**50**	50	**26,300,000**	26,300,000
Ayala Land Sales, Inc. (ALSI)	**100**	100	**10,000,000**	10,000,000
AyalaLand Malls, Inc. (ALMI) (formerly Solerte Corp.)	**100**	100	**5,000,000**	5,000,000
Verde Golf Development Corp (Verde Golf)	**100**	100	**3,125,000**	3,125,000
Buendia Landholdings, Inc. (BLI)	**100**	100	**2,833,562**	2,833,562
Ayala Land Club Management, Inc.	**100**	100	**2,500,000**	2,500,000
Ayala Property Management Corporation (APMC)	**100**	100	**1,912,026**	1,912,026
Ayala Theatres Management, Inc. (ATMI)	**100**	100	**864,559**	864,559
Five Star Cinema, Inc. (FSCI)	**100**	100	**250,000**	250,000
Glensworth Development Corp. (GDC)	**100**	100	**100,000**	100,000
Asterion Technopod Incorporated (ATI)	**100**	100	**33,669**	33,669
Regent Time International, Limited (Regent Time)	**100**	100	**52**	52
ALI Commercial Center, Inc. (ACCI)	**100**	–	**125,000,000**	–
Southportal Properties, Inc. (Southportal)	**65**	–	**111,800,000**	–
Lagdigan Land Corp. (Lagdigan)	**60**	–	**12,000,000**	–
Joint Ventures:				
Emerging City Holdings, Inc. (ECHI)	**50**	50	**1,555,004,550**	1,555,004,550
Berkshires Holdings, Inc. (BHI)	**50**	50	**666,430,521**	666,430,521
Cebu District Property Enterprise, Inc. (CDPEI)	**35**	–	**1,050,000,000**	–
Associates:				
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)		20	**584,702,865**	584,702,865
Bonifacio Land Corporation (BLC)**	**10**	10	**373,490,737**	373,490,737
Lagoon Development Corporation (LDC)	**30**	30	**44,250,000**	44,250,000
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	**20**	20	**22,097,135**	22,097,135
			61,996,536,478	53,030,738,823
Less allowance for probable losses			**238,724,833**	238,724,833
			₱61,757,811,645	₱52,792,013,990

* *The other 50% is owned by AC.*
** *The Parent Company's effective ownership is 10% in 2014 and 2013.*

The above companies are domestic except for Regent Time and FLIL which are domiciled and incorporated in British Virgin Islands and Regent Wise which is domiciled and incorporated in Hong Kong.

As of December 31, 2014 and 2013, the Parent Company had no commitments to its interests in joint ventures.

The six (6) entities namely ATI, Westview, Fairview Prime, HPC, Summerhill, and Sunnyfield were all established to handle, develop and manage all future BPO buildings located at various growing centers within the Philippines. In 2011, the Parent Company increased its investment in Fairview Prime by purchasing additional 15.7 million and 141.6 million common and preferred shares, respectively, for an aggregate amount of ₱157.3 million. Also, additional 25.6 million and 102.2 million common and preferred shares, respectively, for a total consideration of ₱127.7 million was invested in HPC in 2011.

Investment in Avida
In 2013, the Parent Company infused additional capital to Avida by acquiring preferred shares with ₱1 par value amounting to ₱2,500.0 million.

Investment in AHRC
In 2010, the Parent Company established AHRC to support the Parent Company's hotel and resort business. The Parent Company subscribed to all common and preferred shares issued at a total consideration of ₱1.2 billion.

On October 2, 2012, AHRC, a wholly owned subsidiary of the Parent Company, entered into an agreement to acquire the interests of Kingdom Manila B.V., an affiliate of Kingdom Hotel Investments (KHI), and its nominees in KHI-ALI Manila, Inc. (now renamed ALI Makati Hotel & Residences, Inc. (AMHRI)) and 72,124 common shares in KHI Manila Property, Inc. (now renamed ALI Makati Hotel Property, Inc. (AMHPI)).

AMHRI and AMHPI are the project companies for the Fairmont Hotel and Raffles Suites and Residences project in Makati which opened last December 2012.

A total of ₱2,430.4 million was paid to acquire the interests of KHI in AMHRI and AMHPI.

Prior to the acquisition, the Parent Company effectively owned 20% economic interest in AMHRI and AMHPI, and through this acquisition, AHRC and the Parent Company's ownership in AMHRI and AMHPI now stands at 100%. The fair value of the Parent Company's interest prior to the acquisition amounting to ₱606.8 million was determined using the adjusted net asset value method. Remeasurement of the Parent Company's equity interest in both companies resulted to the recognition of a gain (included under "Interest and investment income") amounting to ₱593.9 million.

In 2013, the Parent Company made additional investment amounting to ₱224.9 million.

Investment in ALO
In 2006, the Parent Company signed an agreement with MLT Investments Ltd. (MIL) and Filipinas Investments Ltd. (FIL) to jointly develop a BPO office building in Dela Rosa Street and to purchase the existing PeopleSupport Building.

APPHC, the joint venture company formed, is 60%-owned by the Parent Company. APPHC owns 60% interest in its subsidiary, APPCo. The remaining 40% interest in both APPHC and APPCo are split evenly between MIL and FIL. APPHC and APPCo are jointly controlled by the Parent Company, MIL, and FIL.

On December 8, 2008, the Parent Company acquired from FIL its 20% ownership in APPHC and APPCo. This resulted in an increase in the Parent Company's effective ownership interest in APPHC from 60% to 80% and APPCo from 36% to 68%, thereby providing the Parent Company with the ability to control the operations of APPHC and APPCo following the acquisition.
In 2010, the Parent Company redeemed its investment in APPCo preferred shares amounting to ₱8.6 million and APPHC preferred shares amounting to ₱5.2 million.

On November 16, 2011, SEC approved the merger of APPHC and APPCo, with APPCo as the surviving entity. The merger was done primarily to streamline administrative processes and achieve greater efficiency. The merger did not affect its effective interest, still at 68% in the merged entity.

In 2012, the Parent Company's investment in preferred shares of APPCo amounting to ₱1,156.0 million was redeemed.

On April 15, 2013, the Parent Company has entered into a Sale and Purchase Agreement with Global Technologies International Limited (GTIL) to acquire the latter's 32% stake in APPCo for ₱3,520.0 million. Prior to the acquisition, the Parent Company has 68% effective interest in APPCo.

On July 18, 2014, the Board of Directors (BOD) and the stockholders of APPCo approved the change of its corporate name to AyalaLand Offices, Inc (ALO). On October 17, 2014, the amended Articles of Incorporation was executed and subsequently approved by Securities and Exchange Commission on November 18, 2014.

Investment in SDC
SDC, a wholly owned subsidiary of the Parent Company, was incorporated on October 19, 2012 to be involved in real estate development projects of the Parent Company. As of December 31, 2013, the Parent Company's investment amounted to ₱5.0 million.

In 2014, the Parent Company made additional investment amounting to ₱4,042.7 million increasing its investment cost to ₱4,047.7 million as of December 31, 2014.

Investment in NTDCC
In 2004, the Parent Company acquired additional 30.89% interest in NTDCC in exchange for the Parent Company's interest in two companies valued at ₱320.1 million and cash amounting to ₱280.0 million. The Parent Company infused additional cash to NTDCC amounting to ₱112.0 million for an additional 1.85% equity interest in the latter.

A series of capital calls was made by NTDCC with the Parent Company infusing a total of ₱484.8 million in 2007 in additional investment, thus increasing the Parent Company's overall invested capital to ₱1,528.8 million or a 49.29% stake.

NTDCC was assigned development rights over certain areas of the Metro Railway Transit (MRT) Depot in Quezon City by MRT Development Co. to construct and operate a commercial center under certain terms and conditions until the end of a fifty (50)-year development period renewable for another twenty-five (25) years. NTDCC was primarily organized to own and operate the commercial center atop the MRT Depot. NTDCC officially started the construction of the shopping center, now known as TriNoma, in 2005 and it became operational on May 16, 2007.

On December 10, 2014, the Parent Company purchased its proportionate share in Anglo Philippine Holdings Corporation's 15.79% interest in NTDCC for ₱738.3 million which consists of 539,249 common shares and 2,265,507 preferred shares. Subsequently, on December 22, 2014, the Parent Company purchased the shares of Allante Realty and Development Corporation and DBH Incorporated in NTDCC for ₱211.2 million each comprises of 154,287 common shares and 648,196 preferred shares for each company. This increased the Parent Company's ownership in NTDCC from 49.29% to 63.82% of the total outstanding capital stock of NTDCC. Transaction costs incurred in the transaction amounted to ₱9.4 million.

In 2014 and 2013, the Parent Company's investment in preferred shares of NTDCC amounting to ₱98.6 million each year was redeemed which decreased the Parent Company's investment balance in NTDCC to ₱2,008.9 million and ₱937.4 million as of December 31, 2014 and 2013 respectively.

Investment in Arvo
On June 23, 2011, Arvo, a wholly owned subsidiary of the Parent Company, was primarily established to develop and operate shopping malls within the Parent Company's identified growth areas across the country. An investment of 3,250,000 common and 29,250,000 preferred shares was made by the Parent Company for an aggregate consideration of ₱32.5 million.

In 2012, the Parent Company invested additional capital amounting to ₱138.0 million for 13,800,000 common shares and 124,200,000 preferred shares.

In 2014 and 2013, the Parent Company made additional infusions amounting to ₱1,017.5 million and ₱612.0 million, respectively increasing its investment cost to ₱1,800.0 million and ₱782.5 million as of December 31, 2014 and 2013, respectively.

Investment in Fairview Prime
In 2014 and 2013, the Parent Company made additional investments amounting to ₱145.9 million and ₱500.0 million, respectively in Fairview Prime. As of December 31, 2014 and 2013, the Parent Company's investment amounted to ₱1,748.3 million and ₱1,602.4 million, respectively.

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

In 2014 and 2013, the Parent Company's additional investments amounting to ₱208.4 million and ₱751.6 million, respectively increased the total investment in Regent Wise to ₱1,739.1 milllion and ₱1,530.8 million, respectively.

Investment in Summerhill
In 2012, the Parent Company made additional capital infusions for a total of 867,319,392 common shares and 330,973,980 preferred shares aggregating total cost of ₱1,198.3 million.

Investment in CHI
The Parent Company, a principal shareholder of CHI increased its beneficial ownership to 49.80% or 956,241,738 shares as a result of additional 48,890,905 shares acquired at ₱5.11 per share on October 9, 2012. As of December 31, 2014 and 2013, the Parent Company's carrying amount of investment to CHI amounted to ₱1,604.7 million.

In 2014 and 2013, a total of ₱482.0 million and ₱40.0 million additional infusions were invested by the Parent Company, respectively.

Investment in RLC
In 2010, the Parent Company's investment in preferred shares of RLC amounting to ₱5.5 million was redeemed, which decreased the Parent Company's total investment in RLC to ₱1,117.1 million as of December 31, 2010.

In 2012, the Parent Company contributed ₱5.0 million to RLC in exchange for 50,000 preferred shares.

In 2013, the Parent Company contributed additional ₱297.6 million to RLC in exchange for 31,075,000 common shares and 22,500,000 preferred shares. As of December 31, 2014 and 2013, total investment in RLC amounted to ₱1,419.6 million.

Investment in ALI Capital Corp. (formerly Varejo)
Varejo, a wholly owned subsidiary of the Parent Company, was incorporated with the SEC on June 25, 2012. It is the holding company of the Parent Company for its retail-related initiatives.

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

In 2014 and 2013, the Parent Company made additional infusions amounting to ₱610.5 million and ₱531.25 million, respectively increasing the investment amount to ₱1,339.0 million and ₱728.5 million as of December 31, 2014 and 2013, respectively.

Investment in API
In 2013, the Parent Company increased its equity interest in API to 77.78% (from 70.00%) with the acquisition of a portion of the shares of Coromandel, Inc. amounting to ₱213.0 million.

As of December 31, 2014 and 2013, the Parent Company's total investment in API amounted to ₱1,141.8 million.

Investment in PhilEnergy
In 2010, PhilEnergy was established for the supply and operations of a district cooling system, performance contracting by introducing various energy solutions and bulk purchase of electricity.

The Parent Company subscribed to all the common and preferred shares for a total consideration of ₱320.0 million.

In 2011, the Parent Company sold its 40% interest in PhilEnergy for ₱137.0 million. Gain on sale recognized in "Interest and investment income" account amounted to ₱9.0 million.

In 2013 and 2012, the Parent Company made additional capital infusions of ₱95.8 million and ₱174.0 million, respectively thereby increasing its investment to ₱461.8 million and ₱366.0 million as of December 31, 2013 and December 31, 2012, respectively.

In 2014, the Parent Company acquired Mitsubishi Corporation's (MC) 40% minority interest in PhilEnergy which increased its ownership to 100%. The transaction resulted to an immaterial equity reserves balance as its total investment cost of ₱325.7 million approximates the par value of the shares plus 40% of PhilEnergy's audited retained earnings as of December 31, 2013.

Investment in NBCC
In 2008, the Parent Company, through NBCC and as part of its ongoing development in North Luzon, started to develop a 70,000 square meter retail center dubbed as "The MarQuee" mall located in Angeles City, Pampanga. The Parent Company's investment in NBCC as of December 31, 2012 amounted to ₱857.0 million.

In 2013, NBCC redeemed ₱166.0 million of its preferred shares thereby reducing the total investment to ₱691.0 million.

The Parent Company made no additional infusion for the year ended December 31, 2014.

Investment in NCI
In 2013, the Parent Company contributed ₱585.0 million to NCI totaling its investment cost to ₱587.5 million consisting of 587,500,000 common shares.

Investment in SSECC
In 2014 and 2013, the Parent Company's investment in preferred shares of SSECC amounting to ₱104.9 million and ₱191.8 million, respectively, was redeemed. The redemption decreased the Parent Company's total investment in SSECC to ₱510.9 million and ₱615.8 million as of December 31, 2014 and 2013, respectively.

Investment in SBTCI
In 2010, the Parent Company established SBTCI to handle the planning, development and management of a mall to be constructed in Subic Bay Freeport Zone. The Parent Company's total investment amounted to P650.0 million as of December 31, 2013.

In 2014, the Parent Company's investment in preferred shares of SBTCI amounting to ₱141.5 million was redeemed, decreasing its total investment to ₱508.5 million.

Investment in TKDC and TKPI
The Parent Company entered into an agreement with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) to create a new company which will serve as a holding vehicle for TKPI and TKDC (wholly owned subsidiaries of the ACC Group before the Parent Company's entry). TKPI/TKDC are mainly involved in the development of parcels of land and islands into resorts in Miniloc, Lagen, Pangulasian and Apulit islands in the municipalities of El Nido and Taytay in Northern Palawan.

The agreement will eventually result in the Parent Company obtaining 60% interest in the new company and ACC Group acquiring 40%. The Parent Company will infuse ₱2.0 billion cash to obtain the 60% stake.

As of December 31, 2010, the Parent Company has subscribed to 60% of the shares of TKPI and TKDC, thereby providing the Parent Company with the ability to exercise control over TKPI and TKDC effective April 23, 2010.

The Parent Company's investment in TKDC and TKPI totaled ₱588.1 million as of December 31, 2014 and 2013.

Investment in AMNI
AMNI was incorporated in November 29, 2012 and is a wholly owned subsidiary of the Parent Company. It is established primarily to develop and operate shopping malls and offices. The Parent Company's capital investment amounted to ₱1.0 million as of December 31, 2013.

In 2014, the Parent Company made additional investment amounting to ₱485.5 million increasing its investment cost to ₱486.5 million as of December 31, 2014.

Investment in Adauge
Adauge, a subsidiary of the Parent Company, was incorporated on September 5, 2012 for the acquisition and development of a mixed-use project in Mandurriao, Iloilo City.

In 2012, the Parent Company infused ₱300.0 million in cash for the subscription of 30,000,000 common shares and 270,000,000 preferred shares of the Parent Company.

In 2013, the Parent Company made additional investment amounting to ₱150.0 million increasing its investment cost to ₱450.0 million consisting of 45,000,000 common shares and 405,000,000 preferred shares as of December 31, 2013.

On September 23, 2013, Adauge issued 6,946,542 common and 62,518,881 preferred shares to Antoman Realty Corporation decreasing the Parent Company's ownership from 100% to 86.63%.

On August 18, 2014, Antoman Realty Corporation invested an additional interest in Adauge consisting of 10,419,813 common shares and 93,778,320 preferred shares amounting to ₱104.2 million which decreased the Parent Company's ownership from 86.67% to 72.15% of the total capital stock of Adauge.

Investment in WHI
WHI was registered on May 14, 2013. The Parent Company entered into an agreement with the Mercado family to acquire WHI in July 2013. The transaction was consummated in November 2013, thereby making WHI a wholly owned subsidiary of the Parent Company. WHI owns 36% equity stake in Mercado General Hospital, Inc., owner and operator of the Daniel O. Mercado Medical Center in Tanauan, Batangas, the University Physicians Medical Center through its subsidiary Mercado Ambulatory and Surgical Centers, Inc., DMMC - Institute of Health Sciences, Inc. and Panay Medical Ventures, Inc. As of December 31, 2013, the Parent Company's investment in WHI amounted to ₱373.5 million.

In 2014, the Parent Company made an infusion of ₱65.5 million for additional 3,000,000 common shares and 27,000,000 preferred shares, increasing its investment in WHI to ₱439.0 million.

Investment in ALCRI
ALCRI was formed in September 2010 as a vehicle through which the Parent Company will own and operate select investment properties and which the Parent Company intends to undertake an initial public offering under the recently passed Republic Act 9856 or the Philippines Real Estate Investment Trust (REIT) Law. The said investment properties shall include prime shopping center and office assets currently owned by the Parent Company which are mature, have recurring income streams and have achieved stable occupancy rates. The Parent Company's total investment as of December 31, 2014 and 2013 amounted to ₱300.0 million.

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

The Parent Company (through Green Horizons) and AC (through Fine State) both have interests in the fund management company, ARCH Capital, which is tasked to raise third party capital and pursue investments for the private equity fund called ARCH Asian Partners, L.P. (Fund). As of December 31, 2013 and 2012, the Parent Company (through Green Horizon) and AC (through Fine State) owned a combined interest in ARCH Capital of 50%.

During the year, the Parent Company through FLIL lost significant influence over the Fund since its investments pertain to monetary interest and no longer equity interest.

In 2012, the Parent Company made additional investment to FLIL amounting to ₱12.0 million and provided an allowance of ₱59.0 million.

In 2013, the Parent Company's investment in FLIL amounting to ₱163.3 million was redeemed.

The carrying amount of the Parent Company's investment amounted to ₱167.9 million and ₱295.3 million as of December 31, 2014 and 2013, respectively.

Investment in Westview
In 2010, the Parent Company purchased additional common and preferred shares of Westview amounting to ₱65.3 million, which increased the total investment to ₱65.4 million as of December 31, 2010.

The Parent Company made additional cash infusion in 2012 of an aggregate amount of ₱217.4 million in favor of the Westview as payment for the subscription to 195,657,404 redeemable preferred shares and 21,739,712 common shares.

Total investment cost in Westview amounted to ₱282.8 million as of December 31, 2014 and 2013.

<u>Investment in ALISI</u>
In 2014 and 2013, the Parent Company contributed ₱16.2 million and ₱33.0 million, respectively to ALISI in exchange for 16,200,000 common shares and 33,000,000 common shares, respectively.

As of December 31, 2014 and 2013, the carrying amount of the Parent Company's investment amounted to ₱138.7 million and ₱122.5 million, respectively.

<u>Investment in PTI</u>
In 2010, the Parent Company made additional capital infusion to PTI amounting to ₱45.2 million, thereby increasing the Parent Company's investment to PTI to ₱47.2 million as of December 31, 2010.

In 2012, the Parent Company increased its investment in PTI to ₱91.0 million by contributing additional infusion amounting to ₱43.8 million.

<u>Investment in Aprisa</u>
In 2010, the Parent Company established Aprisa to aid the Parent Company in providing full range of business process outsourcing services such as transactional accounting and data entry analysis. The total investment of the Parent Company amounted to ₱25.0 million as of December 31, 2010.

In 2013, the Parent Company made additional infusion amounting to ₱15.0 million in exchange for 1,500,000 common shares. The carrying amount of the investment in Aprisa as of December 31, 2014 and 2013 amounted to ₱40.0 million.

<u>Investment in Directpower</u>
On September 14, 2011, the Parent Company established Directpower, a wholly owned subsidiary, to engage in the bulk purchase and supply of electricity and to introduce various energy solutions. Capital infused by the Parent Company amounted to ₱40.0 million for 40,000 and 360,000 common and preferred shares.

<u>Investment in CMPI</u>
In 2013, the Parent Company's investment in CMPI amounting to ₱28.8 million was redeemed which decreased the Parent Company's total investment in CMPI to ₱28.8 million.

<u>Investment in ALMI</u>
Solerte, a wholly owned subsidiary, was incorporated on February 12, 2013 as a shared-service entity to provide manpower services for the Ayala Malls Group.

As of December 31, 2014 and 2013, the Parent Company's investment in ALMI amounted to ₱5.0 million consisting of 500,000 common shares and 4,500,000 preferred shares.

On August 27, 2014, the Board of Directors (BOD) and the stockholders approved the change of its corporate name to AyalaLand Malls, Inc. (ALMI). The amended Articles of Incorporation was approved by Securities and Exchange Commission on December 18, 2014.

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

As of December 31, 2014 and 2013, the Parent Company's investment amounted to ₱3.1 million.

Investment in Ceci
Ceci is a joint venture between the Parent Company (60%) and the Yulo Family (40%), which was incorporated in 1974 for the purpose of developing and selling residential and commercial lots in Nuvali in Canlubang, Laguna.

On July 31, 2014, the Parent Company acquired additional equity interest in Ceci composed of 460,483 Class B common shares for ₱13.7 million, which increased the Parent Company's ownership from 60% to 60.4%. As of December 31, 2014, the Parent Company's investment in Ceci amounted to ₱699.8 million.

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

In 2014, the Parent Company acquired 21,750,000 common shares and 195,750,000 preferred shares at par amounting to ₱217.5 million. On December 29, 2014, Soltea increased its authorized capital stock and included API as additional owner. The new ownership structure will be ALI 60%, Ceci 20% and API 20%.

As of December 31, 2014, the Parent Company's investment in Soltea amounted to ₱218.1 million.

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

The Parent Company purchased an additional 61,200 common shares and 550,800 preferred shares at par for ₱61.2 million in 2014. This increased its investment in Aviana to its carrying amount of ₱61.3 million as of December 31, 2014.

Investment in Lagdigan
Lagdigan Land Corp. (Lagdigan) is a 60:40 joint venture between the Parent Company and AC. It was incorporated on March 17, 2014 and its main purpose is to develop Laguindingan's 500-hectare property owned by AC. The vision is to develop it as a mixed-use area that will be the primary growth area in Misamis Oriental. As of December 31, 2014, investment in Lagdigan amounted to ₱12.0 million.

Investment in ACCI
ALI Commercial Center, Inc. (ACCI) is a wholly owned subsidiary of the Parent Company and was incorporated on October 13, 2014. ACCI. will manage the operations of Glorietta and Greenbelt malls. As of December 31, 2014, investment in ACCI amounted to ₱125.0 million.

Investment in Southportal
Southportal Properties, Inc. (Southportal) was incorporated on December 1, 2014. It is 65%-owned by the Parent Company and the remaining 35% is held by CHI. The primary purpose of Southportal is to develop, sell and manage the operations for Ayala Land Premiere (ALP) Towers in Cebu. As of December 31, 2014, investment in Southportal amounted to ₱111.8 million.

Investment in Asian I - Office Properties, Inc. (AIO)
In 2008, CHI's subsidiary, Cebu Property Ventures Development Corp. (CPVDC), entered into a joint venture agreement with the Parent Company to invest in AiO to hold and operate eBloc Business Process Outsourcing (BPO) Building Project, a 12-storey BPO building located in the Asiatown IT Park in Cebu. The Parent Company infused ₱270.0 million for a 60% stake in AiO, with CPVDC owning the remaining 40%. The Parent Company's effective interest in AiO increased to 77.5% as of December 31, 2008.

In 2010, the Parent Company made additional investments to AiO amounting to ₱135.7 million increasing the Parent Company's investment to AiO to ₱405.7 million as of December 31, 2010.

On April 16, 2013, the Parent Company sold its 60% interest in Asian i-Office Properties, Inc. AIO to CPVDC, a 76.3%-owned subsidiary of CHI, a subsidiary of the Parent Company. Gain on sale recognized in "Other income" account amounted to ₱30.5 million (see Note 20).

Investment in SVI, MZM and FCCI
In 2013, SVI, MZM and FCCI were dissolved.

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

(a) The assignment to the Parent Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US$90 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.38% of the outstanding shares in BLC. The consideration paid by the Parent Company and EHI for such assignment was approximately US$90 million, subject in part to foreign exchange adjustment.

(b) The assignment to the Parent Company and EHI acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus) of the controlling interest in BLC represented 50.38% of BLC's outstanding capital stock. This assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.55% of its outstanding capital stock.

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

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

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

The Parent Company and EHI acquired additional shares of BLC in 2009 and 2008 through a combination of direct acquisition and through Columbus at varying dates as follows:

On July 31, 2008, the Parent Company acquired, through Regent and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.66% ownership in BLC.

In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. In 2011, BLC redeemed its 3,485,050 preferred shares with an aggregate redemption price of ₱500.0 million.

In 2011, BLC redeemed its preferred shares amounting to ₱48.2 million. In 2012, the Parent Company invested additional ₱50.5 million.

Investment in CDPEI
Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between the Parent Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue. On April 11, 2014, ALI's 50% equity was further broken down to 35% ALI, 10% CHI and 5% CPVDC. As of December 31, 2014, the Parent Company's interest in CDPEI amounted to ₱1,050.0 million.

Investment in AMHRI (formerly KAMI)
In December 2007, the Parent Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprising of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences.

The 7,377-square meter property developed was conveyed by the Parent Company to KAMI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

12. **Investment Properties**

The rollforward analysis of this account follows:

2014

	Land	Building	Construction in Progress	Total
Cost				
Balance at beginning of year	₱2,784,795,332	₱20,548,622,634	₱1,831,313,246	₱25,164,731,212
Additions	1,233,922,875	330,624,819	5,321,433,414	6,885,981,108
Transfers (Note 13)	–	38,618,383	–	38,618,383
Balance at end of year	4,018,718,207	20,917,865,836	7,152,746,660	32,089,330,703
Accumulated depreciation and impairment losses				
Balance at beginning of year	–	7,597,389,008	–	7,597,389,008
Depreciation (Note 20)	–	824,099,875	–	824,099,875
Transfers (Note 13)	–	9,335,615	–	9,335,615
Balance at end of year	–	8,430,824,498	–	8,430,824,498
Net Book Value	₱4,018,718,207	₱12,487,041,338	₱7,152,746,660	₱23,658,506,205

2013

	Land	Building	Construction in Progress	Total
Cost				
Balance at beginning of year	₱1,359,101,085	₱17,238,607,931	₱4,758,023,384	₱23,355,732,400
Additions	1,306,880,285	400,491,796	324,706,573	2,032,078,654
Disposals	–	(202,000,844)	–	(202,000,844)
Transfers (Note 13)	118,813,962	3,111,523,751	(3,251,416,711)	(21,078,998)
Balance at end of year	2,784,795,332	20,548,622,634	1,831,313,246	25,164,731,212
Accumulated depreciation and impairment losses				
Balance at beginning of year	–	6,921,608,982	–	6,921,608,982
Depreciation (Note 20)	–	856,768,292	–	856,768,292
Disposals	–	(181,427,450)	–	(181,427,450)
Transfers (Note 13)	–	439,184	–	439,184
Balance at end of year	–	7,597,389,008	–	7,597,389,008
Net Book Value	₱2,784,795,332	₱12,951,233,626	₱1,831,313,246	₱17,567,342,204

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (like buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

The aggregate fair values of the Parent Company's investment properties amounted to ₱163.7 billion and ₱139.0 billion as of December 31, 2014 and 2013, respectively. The fair value of the investment properties was determined by independent professionally qualified appraisers. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following table provides the fair value hierarchy of the Parent Company's investment properties as of December 31, 2014 and 2013:

2014

			Fair value measurement using		
	Date of Valuation	**Total**	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Land properties	**Various**	**₱129,159,151**	₱–	₱–	₱129,159,151
Retail properties	**Various**	**22,097,876**	–	–	22,097,876
Office properties	**Various**	**12,466,600**	–	–	12,466,600

2013

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
			(In Thousands)		
Land properties	Various	₱110,654,783	₱–	₱–	₱110,654,783
Retail properties	Various	19,307,015	–	–	19,307,015
Office properties	Various	9,108,057	–	–	9,108,057

The values of the land and buildings were arrived at using the Market Data Approach and Cost Approach, respectively. In market data approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. In the cost approach, the value of the buildings is determined by the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear and obsolescence.

No borrowing costs were capitalized in 2014 and 2013.

Rental income from investment properties amounted to ₱6,237.8 million and ₱5,272.7 million in 2014 and 2013, respectively (see Note 19). Direct operating expenses arising from the investment properties amounted to ₱2,720.1 million and ₱2,432.4 million in 2014 and 2013, respectively (see Note 20).

Depreciation expense pertaining to investment properties amounted to ₱824.1 million and ₱856.8 million in 2014 and 2013, respectively (see Note 20).

13. Property and Equipment

The rollforward analysis of this account follows:

2014

	Land, Buildings and Improvements	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Total**
Cost				
Balance at beginning of year	**₱636,339,680**	**₱1,260,929,600**	**₱392,985,489**	**₱2,290,254,769**
Additions	**38,819,825**	**40,373,296**	**86,777,211**	**165,970,332**
Disposals	–	**(125,962)**	**(36,151,362)**	**(36,277,324)**
Transfers (Note 12)	**(400,684)**	**(38,217,699)**	–	**(38,618,383)**
Balance at end of year	**674,758,821**	**1,262,959,235**	**443,611,338**	**2,381,329,394**
Accumulated depreciation				
Balance at beginning of year	**230,352,247**	**890,951,499**	**265,067,928**	**1,386,371,674**
Depreciation (Note 20)	**53,663,374**	**101,330,776**	**60,076,840**	**215,070,990**
Disposals	**–**	**(125,964)**	**(33,925,996)**	**(34,051,960)**
Transfers (Note 12)	**(68,249)**	**(9,267,366)**	**–**	**(9,335,615)**
Balance at end of year	**283,947,372**	**982,888,945**	**291,218,772**	**1,558,055,089**
Net Book Value	**₱390,811,449**	**₱280,070,290**	**₱152,392,566**	**₱823,274,305**

2013

	Land, Buildings and Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Total
Cost				
Balance at beginning of year	₱589,345,046	₱1,107,402,065	₱340,928,153	₱2,037,675,264
Additions	48,405,406	131,477,931	70,422,510	250,305,847
Disposals	–	(440,166)	(18,365,174)	(18,805,340)
Transfers (Note 12)	(1,410,772)	22,489,770	–	21,078,998
Balance at end of year	636,339,680	1,260,929,600	392,985,489	2,290,254,769
Accumulated depreciation				
Balance at beginning of year	187,602,587	787,978,587	227,337,514	1,202,918,688
Depreciation (Note 20)	42,798,398	103,621,289	54,999,721	201,419,408
Disposals	–	(257,931)	(17,269,307)	(17,527,238)
Transfers (Note 12)	(48,738)	(390,446)	–	(439,184)
Balance at end of year	230,352,247	890,951,499	265,067,928	1,386,371,674
Net Book Value	₱405,987,433	₱369,978,101	₱127,917,561	₱903,883,095

Depreciation of property and equipment included in the general and administrative expenses amounted to ₱215.1 million and ₱201.4 million in 2014 and 2013, respectively (see Note 20).

14. Other Noncurrent Assets

Other noncurrent assets totaling ₱1,544.3 million and ₱2,404.0 million as of December 31, 2014 and 2013 respectively consist of deferred charges, deposits, and other assets.

In 2014 and 2013, the Parent Company made deposits amounting to nil and ₱1,877.1 million, respectively to landowners for land to be purchased.

15. Accounts and Other Payables

This account consists of:

	2014	2013
Accounts payable	**₱22,552,811,140**	₱17,601,563,029
Payable to related parties (Note 22)	**12,314,371,789**	5,162,485,539
Accrued expenses	**10,714,334,997**	7,008,277,045
Interest payable	**1,243,119,616**	1,057,950,764
Taxes payable	**142,628,983**	105,897,160
Accrued rentals	**27,534,105**	15,203,846
Current portion of liability for purchased land	**–**	4,301,977,750
	₱46,994,800,630	₱35,253,355,133

Accounts payable and accrued expenses are noninterest-bearing and are normally settled within 15-60 days. Other payables are noninterest-bearing and are normally settled within one year.

Accrued expenses consist mainly of light and power, marketing costs, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security, insurance and representation.

16. Short-term and Long-term Debt

The short-term debt of ₱8,321.5 million and ₱3,899.9 million as of December 31, 2014 and 2013, respectively, represents unsecured peso-denominated bank loans and dollar-denominated bank loans.

The ranges of annual interest rates of the short-term debt follow:

	2014	2013
Philippine Peso	**2.75% to 2.90%**	2.10% to 3.90%
US Dollar	**1.10% to 1.20%**	1.10% to 1.30%

Long-term debt consists of:

	2014	2013
Bonds		
Due 2014	**₱–**	₱620,195,000
Due 2015	**986,710,000**	992,460,000
Due 2016	**1,982,700,000**	1,999,650,000
Due 2019	**9,350,000,000**	9,350,000,000
Due 2020	**4,000,000,000**	4,000,000,000
Due 2022	**5,650,000,000**	5,650,000,000
Due 2024	**15,000,000,000**	15,000,000,000
Due 2025	**8,000,000,000**	–
Due 2033	**2,000,000,000**	2,000,000,000
Floating rate corporate notes (FRCNs)	**1,000,000,000**	1,000,000,000
Fixed rate corporate notes (FXCNs)	**14,429,200,000**	14,480,000,000
US Dollar - denominated long term loan	**2,360,545,200**	2,598,661,325
	64,759,155,200	57,690,966,325
Less unamortized transaction costs	**380,318,281**	345,821,890
	64,378,836,919	57,345,144,435
Less current portion	**1,087,510,000**	670,995,000
	₱63,291,326,919	₱56,674,149,435

Philippine Peso Homestarter Bond due 2014
The Parent Company launched a new issue of the Homestarter Bond in May 2011. The bond is to be issued over a series of 36 issues, once every month which commenced on May 16, 2011, with an initial issue amount of up to ₱56.0 million or up to an aggregate issue amount of ₱2.0 billion over a 3-year period. The bond carries an interest rate of 5% p.a., payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Parent Company or its affiliates. In the event of application of the bond to partial or full payment for a property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is also subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2014 and 2013, bond issued amounted to nil and ₱620.2 million, respectively.

Philippine Peso Homestarter Bond due 2015
In October 2012, the Parent Company issued ₱1,000.0 million bond due 2015 with fixed rate equivalent to 5% p.a. The Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a AAA issuer rating on the Parent Company indicating that it has the smallest degree of investment risk for the bond. AAA is the highest credit rating possible on CRISP's rating scale for issuers. CRISP also assigned a stable credit outlook for Parent Company's issuer rating as CRISP continues to believe that the Parent Company's strong financial performance will continue and roll out of its new development projects will sustain its leadership position.

Philippine Peso Homestarter Bond due 2016
In May 2013, the Parent Company issued the second tranche of the bonds registered with the Securities and Exchange Commission in 2012, at an aggregate principal amount of ₱2,000.0 million. The bonds have a term of three (3) years from the issue date, and will bear interest on its principal amount at a fixed rate of 4.00% p.a. Interest will not be compounded and shall be payable on maturity date or on the date of effectivity of an Early Downpayment Application, as may be applicable, less the amount of any applicable withholding taxes.

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022
In April 2012, the Parent Company issued a total of ₱15,000.0 million bonds, broken down into a ₱9,350.0 million bond due 2019 at a fixed rate equivalent to 5.6% p.a. and a ₱5,650.0 million bond due 2022 at a fixed rate equivalent to 6% p.a. The PhilRatings assigned a PRS AAA rating on the bonds indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Philippine Peso 7-Year and 20-year Bonds due 2020 and 2033
In October 2013, the Parent Company issued a total of ₱6,000.0 million bonds, broken down into a ₱4,000.0 million bond due 2020 at a fixed rate equivalent to 4.625% p.a. and a ₱2,000.0 million bond due 2033 at a fixed rate equivalent to 6.000% p.a. CRISP assigned a "AAA" rating on the bonds indicating that it has a minimal credit risk owing to the Parent Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 10-year and 6-month Bonds due 2024
In July 2013, the Parent Company issued a total of ₱15,000.0 million bonds due 2024 at a fixed rate equivalent to 5.0% p.a. Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" on the bonds indicating that it has a minimal credit risk owing to the Parent Company's capacity to repay its debt obligations. AAA is the highest rating assigned by CRISP.

Philippine Peso 8.0 Billion Fixed Rate Bonds due 2025
In April 2014, the Parent Company issued a total of ₱8,000.0 million bonds due 2025 at a fixed rate equivalent to 5.625% p.a. The Bonds have been rated PRS AAA by Philippine Rating Services Corporation ("PhilRatings"), indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

Philippine Peso 7-year FRCN due 2016
In October 2009, the Parent Company executed a ₱1,000.0 million committed FRCN facility with a local bank, of which an initial ₱10.0 million was drawn on October 12, 2009. The balance of ₱990.0 million was subsequently drawn on November 18, 2011. The FRCN bears a floating interest rate based on the 3-month PDST-R1 plus a spread of 0.96%, repriceable quarterly. The FRCNs will mature on the seventh anniversary of the initial drawdown date.

Philippine Peso 5-, 7- and 10-year FXCNs due 2011, 2013 and 2016
In September 2006, the Parent Company issued ₱3,000.0 million FXCNs consisting of 5-, 7- and 10-year notes issued to various financial institutions and will mature on various dates up to 2016. The FXCNs bear fixed interest rates ranging from 7.25% to 7.75% p.a. depending on the term of the notes. In January 2011, simultaneous to a new corporate note offering, the Parent Company undertook a liability management exercise by offering to prepay holders of the corporate notes issued in 2006 while inviting the same institutions to participate in the new issuance. A number of investors holding up to ₱875.0 million of notes maturing in 2013 and 2016 accepted the offer to be prepaid. On September 23, 2011, the 5-year and one (1) day FXCNs amounting to ₱1,830.0 million matured and were fully repaid by the Parent Company. Subsequently in September 2013, the balance of the 7-year FXCNs amounting to ₱195.0 million matured and was fully repaid by the Parent Company. As of December 31, 2014 and 2013, outstanding balance amounted to ₱100.0 million.

Philippine Peso 5-, 7- and 10-year FXCN due 2014, 2016 and 2019
In January 2009, the Parent Company issued an aggregate ₱2,380.0 million in 5-, 7- and 10-year notes to various financial institutions and retail investors. The notes will mature on various dates up to 2019. The FXCNs bearing fixed interest rates ranging from 7.76% to 8.90%. ₱220.0 million and ₱830.0 million note due in 2014 and 2016, respectively were prepaid on January 28, 2013.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026
In January 2011, the Parent Company issued ₱10.0 billion FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.62% to 7.50% p.a. depending on the term of the notes. The Parent Company prepaid ₱1.95 billion of notes due in 2016 on January 19, 2013. In 2014, the Parent Company paid ₱50.8 million for the matured portion of the loan.

Philippine Peso 10-year Note due 2022
In December 2012, the Parent Company executed a ₱5,000.0 million committed Corporate Note facility with a local bank, of which an initial ₱3,500.0 million was drawn in 2012. The balance of ₱1,500.0 million was subsequently drawn in January 2013. Notes currently bear a fixed interest rate of 4.50%. The Corporate Notes will mature on the third month succeeding the tenth anniversary of the initial drawdown date.

US Dollar-denominated Long-term loan
In October 2012, the Parent Company executed and fully drew on a US$58.5 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month USD London Interbank Offered Rate (LIBOR), repriceable quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014, the Parent Company made a partial prepayment of US$5.75 million on the loan.

Transaction costs capitalized amounted to ₱81.6 million and ₱194.5 million 2014 and 2013, respectively. Amortization amounted to ₱47.1 million and ₱36.7 million in 2014 and 2013, respectively and was included under “Interest expense and other financing charges” (see Note 20). In 2013, the Parent Company charged to expense the ₱7.6 million transaction costs related to the ₱1,950.0 million loan prepaid.

17. **Deposits and Other Noncurrent Liabilities**

This account consists of:

	2014	2013
Deposits	**₱4,745,436,175**	₱3,977,672,350
Liability for purchased land	**2,958,123,187**	2,958,123,187
Retentions payable	**393,131,885**	428,138,103
Subscriptions payable	**24,625,052**	25,562,177
Others	**77,194,027**	873,068,537
	₱8,198,510,326	₱8,262,564,354

Deposits mostly pertain to security deposits from tenants which are initially recorded at fair value, and were obtained by discounting its future cash flows using the applicable rates of similar types of instruments.

Retentions payable pertain to retentions from the contractors’ progress billings which will be released after the expiration of the project’s warranty period. The retention serves as a security from the contractor should there be defects in the project.

18. **Equity**

The details of the number of shares follow:

	2014		2013	
	Preferred	**Common**	Preferred	Common
Authorized shares	**15,000,000,000**	**20,000,000,000**	15,000,000,000	20,000,000,000
Issued	**13,066,494,760**	**14,187,052,436**	13,066,494,760	14,063,901,537
Subscribed	**–**	**3,436,202**	–	109,385,074
Outstanding shares	**13,066,494,760**	**14,190,488,638**	13,066,494,760	14,173,286,611

Preferred Shares

The Parent Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.64% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Parent Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a company's Filipino-ownership level:

i. Redemption and retirement of the 13.0 billion outstanding preferred shares.
ii. Reclassification of the 2.0 billion unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
iii. Increase in authorized capital stock by ₱1.3 billion creating new voting preferred shares and a stock rights offer of 13.0 billion voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges (a) voting; (b) dividend rate of 4.75% per annum, equivalent to 90% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and (g) preferred in liquidation to the extent of par value.

The SEC approved on January 31, 2013 the following:

a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and
b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

<u>Common Shares</u>
On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Parent Company or for cash to acquire properties or assets needed for the business of the Parent Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Parent Company's Stock Option Plans for members of the management committees of the Parent Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Parent Company to include the members of the Management Committees of the Parent Company's subsidiaries and affiliates as eligible grantees of stock options.

The rollforward of the outstanding number of common shares follows:

	2014	2013
At beginning of year	**14,173,286,611**	13,752,033,376
Additional subscriptions	**17,202,027**	341,724,936
Reissuance of treasury shares	**–**	79,528,299
At end of year	**14,190,488,638**	14,173,286,611

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Parent Company.

On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Parent Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On March 6, 2013, the Parent Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Parent Company to certain qualified third party buyers or investors at ₱30.50 per share. The Parent Company completed the top-up placement, raising an aggregate of ₱12.2 billion in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Parent Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20 per share, and the issuance of equal number of new shares of the Parent Company, at the same price of ₱20 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Parent Company completed the top-up placement, raising an aggregate of ₱13.6 billion in paid up capital. The price was at 4.988% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1.0 billion common shares of stock of the Parent Company with an aggregate par value of ₱1.0 billion for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Parent Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Parent Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Parent Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On July 5, 1991, the Parent Company launched its Initial Public Offering where a total of 400.00 million common shares were offered at an offering price of ₱26 per share. The registration statement was approved on July 20, 1992. The Parent Company has 10,146 and 10,515 existing certified shareholders as of December 31, 2013 and 2012, respectively.

Treasury Shares
The amendment of the Articles of Incorporation on April 17, 2013 allows the re-selling of the 79,528,299 listed common shares as part of the top-up placement transaction completed in July 2013. Treasury common shares were sold at ₱30.5 per share resulting to additional paid-in capital of ₱1,601.6 million.

On July 16, 2012, the Parent Company redeemed the 13.0 billion outstanding non-voting preferred shares through payment of the redemption price of ₱0.10 per share. As of December 31, 2012, the redeemed preferred shares were treated as treasury shares and will be subsequently retired upon approval of the Parent Company's SEC application for the decrease in authorized capital stock on January 31, 2013.

On August 12, 2008, the BOD approved the creation of a share buyback program. It is part of the Parent Company's financial position management program and aims to: (i) improve the Parent Company's financial position structure and capital efficiency; and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value.

The Parent Company has repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.4 million at an average price of ₱10.36 per share as of December 31, 2008 in relation to its share buyback program. In addition, 4,148 shares were also purchased in 2008.

Retained Earnings
The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.41 per share and ₱0.29 per share in 2014 and 2013, respectively, to all issued and outstanding shares.

On February 21, 2014 and February 19, 2013, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends at the dividend rate of 4.75% p.a. to all issued and outstanding preferred shares.

Retained earnings of ₱6.0 billion are appropriated for future expansion. The amount represents a continuing appropriation for landbanking activities and planned building construction projects. Each year, the Parent Company incurs capital expenditures for property development which include among others land banking and building construction projects. The appropriation is being fully utilized to cover part of the annual expenditure requirement of the Parent Company. In 2015, it is expected that the capital expenditure requirement will exceed the ₱6.0 billion appropriations, hence the Parent Company will provide future appropriation as the need arises.

The Parent Company has earmarked additional funds for expansion projects in the residential, shopping centers, office and hotel business segments, as well as various infrastructure projects for the Parent Company's mixed-use developments. The following are among the major capital expenditures of the Parent Company which were approved by the BOD:

a) Soliento in Nuvali, an Ayala Land Premier with a total of 462 lots clustered into pocket neighborhoods with an average of 15 lots per cluster was approved on February 21, 2014.

b) Arbor Lanes Block 1 in Arca South (former FTI Complex), the first residential development to break ground in ARCA South with over 208 units of new Duo Suite 1BR to 3BR configurations was approved on April 7, 2014.

c) Courtyards Phase 1 in Cavite by ALP offers a new, exclusive, accessible suburban residential community characterized by its courtyards concept with a total of 415 lots was approved on May 26, 2014.

d) Arca South Phase 1, a mixed-use project and the Parent Company's new business and lifestyle district in the City of Taguig with a lifestyle mall, 6 BPO towers and a 266-room Seda hotel was approved on November 25, 2014.

Retained earnings include accumulated earnings of subsidiaries and affiliates. These are not available for dividend declaration until declared by subsidiaries and affiliates.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2014 and 2013 amounted to ₱27.4 billion and ₱23.6 billion, respectively.

Capital Management

The primary objective of the Parent Company's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Parent Company establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Parent Company considers debt as a stable source of funding. The Parent Company lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Parent Company manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both gross debt and net debt basis. As of December 31, 2014 and 2013, the Parent Company had the following ratios:

	2014	2013
Debt to equity	**90.7%**	80.4%
Net debt to equity	**81.1%**	71.4%

Debt consists of short-term and long-term debts. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and financial assets at FVPL. Equity, which the Parent Company considers as capital, pertains to the total equity. The Parent Company excludes the "Net unrealized gain on AFS financial assets" in computing the debt to equity ratio.

The Parent Company is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2014 and 2013.

Financial risk assessment

The Parent Company's financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Parent Company's ratio of fixed to floating rate debt stood at 84:16 and 88:12 as of December 31, 2014 and 2013, respectively. As a result, the movement in the actual average interest (borrowing) rate of the Parent Company has been minimal.

Exposure to foreign currency holdings is at US$0.2 million and US$0.4 million as of December 31, 2014 and 2013, respectively.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Parent Company's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Liquidity risk is addressed with long-term funding already locked in, while funds are placed on a short-term placement.

19. Real Estate Revenue

This account consists of:

	2014	2013
Land and residential unit sales	**₱20,405,388,568**	₱18,819,688,078
Rental income (Note 12)	**6,237,754,041**	5,272,674,712
Management and marketing fees	**892,170,908**	731,605,388
	₱27,535,313,517	₱24,823,968,178

20. Other Income and Costs and Expenses

Other income consists of:

	2014	2013
Gain on sale of property and equipment	**₱17,028,690**	₱13,332,862
Realized gain on financial assets at FVPL	**14,408**	4,423,533
Gain on disposal of shares of investments (Note 11)	**–**	30,547,579
Others	**145,023,235**	265,551,968
	₱162,066,333	₱313,855,942

Others mainly consist of proceeds from insurance claims and forfeitures of deposits.

Real estate costs and expenses consist of:

	2014	2013
Cost of real estate sales (Note 7)	**₱11,733,036,663**	₱11,646,342,106
Depreciation (Note 12)	**824,099,875**	856,768,292
Marketing and management fees	**694,391,021**	483,164,000
Rental	**403,612,064**	273,587,316
Manpower costs	**198,911,295**	220,020,425
Direct operating expenses		
Professional fees	**805,381,886**	450,285,538
Taxes and licenses	**638,482,661**	776,277,817
Security	**473,699,637**	396,239,999
Light and water	**293,830,902**	694,105,085
Repairs and maintenance	**205,974,268**	263,402,238
Project development costs	**127,666,228**	176,918,014
Insurance	**36,212,471**	48,137,873
Supplies	**6,179,733**	13,647,789
Transportation and travel	**3,819,512**	16,731,263
Others	**757,885,148**	148,861,078
	₱17,203,183,364	₱16,464,488,833

General and administrative expenses consist of:

	2014	2013
Manpower costs (Note 23)	**₱2,008,845,338**	₱2,110,009,858
Depreciation (Note 13)	**215,070,990**	201,419,408
Professional fees	**144,512,459**	126,222,238
Advertising	**65,626,378**	61,958,330
Transportation and travel	**59,617,563**	50,495,317
Security and janitorial	**41,179,530**	41,655,367
Utilities	**39,291,988**	43,043,717
Repairs and maintenance	**37,930,193**	25,173,566
Rentals	**19,891,011**	28,837,239
Supplies	**18,993,519**	15,885,593
Insurance	**13,809,439**	3,469,514
Entertainment, amusement and recreation	**11,969,727**	12,281,283
Donations and contribution	**5,594,999**	305,982,218
Others	**41,963,047**	87,396,497
	₱2,724,296,181	₱3,113,830,145

Manpower costs included in the parent company statements of income follow:

	2014	2013
Included in:		
General and administrative expenses	**₱2,008,845,338**	₱2,110,009,858
Real estate costs and expenses	**198,911,295**	220,020,425
	₱2,207,756,633	₱2,330,030,283

Depreciation expenses included in the parent company statements of income follow:

	2014	2013
Included in:		
Real estate costs and expenses	**₱824,099,875**	₱856,768,292
General and administrative expenses	**215,070,990**	201,419,408
	₱1,039,170,865	₱1,058,187,700

Interest expense and other financing charges consist of:

	2014	2013
Interest expense on:		
Long-term debt	**₱3,393,593,422**	₱2,181,038,582
Short-term debt	**84,534,208**	435,825,588
Other financing charges	**227,099,540**	245,796,353
	₱3,705,227,170	₱2,862,660,523

Other financing charges are mainly from bank charges and discounting costs on the Parent Company's sold receivables (see Note 6).

Other charges consist of:

	2014	2013
Provision for impairment losses and write-offs:		
Receivables (Note 6)	**₱71,661,311**	₱141,118,529
Other assets	**–**	37,567,312
Net realized/unrealized loss on foreign exchange transactions	**31,793,261**	369,070,399
Loss on disposal of investment property	**–**	19,582,727
Other charges	**23,315,568**	133,124,890
	₱126,770,140	₱700,463,857

In 2013, other charges mainly pertain to option money for land purchase transactions that did not materialize.

21. Income Tax

The components of deferred taxes follow:

	2014	2013
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	**₱1,092,282,206**	₱1,273,068,163
Allowance for probable losses	**671,476,237**	671,476,237
Employee benefits	**294,802,402**	255,818,272
Allowance for impairment losses	**189,048,378**	167,549,985
Outstanding stock options	**62,794,304**	62,794,304
Unrealized foreign exchange loss	**46,456,737**	49,548,559
	2,356,860,264	2,480,255,520
Deferred tax liabilities on capitalized interest	**(539,537,516)**	(537,175,514)
	₱1,817,322,748	₱1,943,080,006

There are no income tax consequences attaching the payment of dividends by the Parent Company to its shareholders.

Provision for income tax consists of:

	2014	2013
Current	**₱1,196,130,476**	₱1,572,415,215
Deferred	**160,524,349**	(754,281,582)
Final	**85,532,716**	46,327,773
	₱1,442,187,541	₱864,461,406

Reconciliation between the statutory and the effective income tax rates follows:

	2014	2013
Statutory income tax rate	**30.00%**	30.00%
Tax effects of:		
Interest income and capital gains taxed at lower rates	**(0.86)**	(3.44)
Dividend income	**(16.77)**	(18.40)
Others - net	**0.63**	3.62
Effective income tax rate	**13.00%**	11.78%

22. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

Terms and Conditions of Transactions with Related Parties
In its regular conduct of business, the Parent Company has entered into transactions with related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Transactions with related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company does not provide any allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

In the ordinary course of business, the Parent Company transacts with its related parties. The transactions and balances of accounts with related parties follow:

a. Transactions with Bank of the Philippine Islands (BPI), an associate of AC:

i. As of December 31, 2014 and 2013, the Parent Company maintains current and savings account, money market placements, UITF investments and long-term debt payable with BPI broken down as follows:

	2014	2013
Cash in bank	**₱6,872,627,527**	₱162,423,661
Cash equivalents	**9,988,680**	6,192,613,200
Financial assets at FVPL	**1,819,936**	1,805,528
Long-term debt	**9,329,200,000**	–

From the Parent Company's placements with BPI, the Parent Company has accrued interest receivable amounting to ₱2.4 million and ₱5.2 million as of December 31, 2014 and 2013, respectively. Interest income earned amounted to ₱54.4 million in 2014 and ₱66.4 million in 2013.

As of December 31, 2014 and 2013, the Parent Company has an outstanding trust account contribution amounting to ₱5,924.1 million under BPI Asset Management and Trust Group.

ii. As of December 31, 2014 and 2013,the Parent Company has outstanding receivable from and payable to BPI as follows:

	2014	2013
Interest receivable	**₱2,421,736**	₱5,164,023
Interest payable	**29,172,912**	283,192,601

iii. Income earned and expenses incurred with BPI are as follows:

	2014	2013
Interest income	**₱54,474,336**	₱66,383,022
Interest expense	**87,832,504**	1,204,611,207

b. Outstanding balances from related parties follow:

	Receivables		Payables	
	2014	2013	**2014**	2013
Parent	**₱24,293,979**	₱37,687,404	**₱9,684,207**	₱9,532,527
Entities under common control	**128,411,570**	104,485,786	**57,795,584**	151,130,495
Subsidiaries, associates and joint ventures	**19,923,911,532**	24,545,050,397	**11,090,481,123**	3,844,355,253
Other related parties	**1,319,686,680**	1,222,083,317	**1,156,410,875**	1,157,467,264
	₱21,396,303,761	₱25,909,306,904	**₱12,314,371,789**	₱5,162,485,539

Receivables from/payables to related parties pertain mostly to management and management fees, advances and reimbursements of operating expenses related to development cost, working capital requirements and land acquisitions which are due and demandable.

The following describes the nature of the material transactions of the Parent Company with related parties as of December 31, 2014 and 2013:

i. In 2014, LTI made interest-bearing advances amounting to ₱700 million to the Parent Company.
ii. Payable to API and VPHI was due to land acquisitions during the year by the Parent Company for the Soliento (K5) and K6 projects, respectively.
iii. Receivable from SDC pertains to advances by the Parent Company for land acquisition.
iv. The Parent Company extended a ₱1.7 billion interest-bearing loans to AHRC in 2013 for its capital infusion. The money was used for the construction of AHRC projects. This has been fully settled in 2014.
v. The Parent Company extended interest-bearing advances in the amount of ₱217.8 million to Ayala International North America (AINA), an AC subsidiary, for AINA's project in Northern California in 2010 with outstanding balance of ₱184.7 million in 2012. These advances were paid on February 13, 2013.
vi. Receivables from/payables to MDC pertain to advances and retentions in relation to construction contracts involving the Parent Company's real estate projects, with MDC being the primary contractor.
vii. Receivables from APPCo pertain to advances for the construction of APPCo's buildings and advances used as payment for share redemptions made during the year. Payable to APPCo pertains to various transactions consisting of advances and reimbursement of expenses, such as allocated systems cost.
viii. Receivables from TKDC pertain to advances used to finance the acquisition of an aircraft of its main airline service provider.
ix. Receivables from Alveo pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. These are generally trade related. On February 1, 2012, the Parent Company and Alveo executed a deed of absolute sale of land classified as investment property. This involves a 3,613-sqm parcel of land located at Dela Rosa Street, Makati intended to be developed as Alveo's Kroma project (see Notes 12 and 20).
x. Payable to Regent Time includes advances for redemption of shares.
xi. Transactions with APMC pertain to agreements to administer properties of the Parent Company for stipulated fees. Under this agreement, APMC shall manage, maintain, preserve and provide services for the efficient use of such properties. Further, APMC leases its carpark facilities (Ayala Center Carparks and Central Business District Carparks) under lease agreements with the Parent Company. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of net operating income, whichever is higher. The lease agreements are renewed annually upon mutual agreement of the parties. Aside from the property management services provided by APMC and the leases discussed above, transactions with the Parent Company include noninterest-bearing advances and reimbursements of expenses incurred in connection with the maintenance of the administered properties.

xii. Receivable from ALISI pertains to lease agreement with the Parent Company for office and parking spaces.
xiii. The Parent Company advanced ₱888.8 million to Columbus for acquisition of shares in BLC. Columbus, on the other hand, advanced ₱1,153.9 million to the Parent Company for stocks redemption of ECHI and BHI.
xiv. Payable to BPI pertains to availment of services in the normal course of business.

c. Notes receivable pertains to housing, car, salary and other loans granted to the Parent Company's officers and employees which are collectible through salary deduction, bears 6-12% interest p.a. and have various maturity dates ranging from 2012 to 2032.

d. Income and expenses from related parties follow:

Revenue

2014

	Dividend Income	**Rental Income and Management and Marketing Income**	**Total**
Subsidiaries	**₱5,190,845,904**	**₱463,911,446**	**₱5,654,757,350**
Joint ventures	**775,000,000**	**–**	**775,000,000**
Associates	**236,902,549**	**7,996,097**	**244,898,646**
Other reated parties	**–**	**85,181,829**	**85,181,829**
	₱6,202,748,453	**₱557,089,372**	**₱6,759,837,825**

2013

	Dividend Income	Rental Income and Management and Marketing Income	Total
Subsidiaries	₱4,089,341,315	₱841,751,551	₱4,931,092,866
Joint ventures	200,000,000	–	200,000,000
Associates	36,431,493	61,869,376	98,300,869
Other related parties	–	645,506,923	645,506,923
	₱4,325,772,808	₱1,549,127,850	₱5,874,900,658

Costs and expenses

2014

	Rental Expense	**Management and Marketing Fees**	**Commission**	**Total**
Subsidiaries	**₱4,232,852**	**₱577,546,018**	**₱195,000**	**₱581,973,870**
Associates	**–**	**–**	**–**	**–**
Other related parties	**12,751,766**	**135,000**	**–**	**12,886,766**
	₱16,984,618	**₱577,681,018**	**₱195,000**	**₱594,860,636**

2013

	Rental Expense	Management and Marketing Fees	Commission	Total
Subsidiaries	₱1,225,763	₱756,435,785	₱125,435	₱757,786,983
Associates	–	15,936,732	–	15,936,732
Other related parties	5,061,609	327,193,565	–	332,255,174
	₱6,287,372	₱1,099,566,082	₱125,435	₱1,105,978,889

i. Income from related parties mainly consist of dividend income, rental income and marketing and management fees.
ii. Expenses recognized from related parties principally include rental expense, marketing and management fees and commission.

e. Compensation of key management personnel by benefit type follows:

	2014	2013
Short-term employee benefits	**₱134,261,400**	₱155,813,000
Post-employment benefits	**25,751,100**	25,586,200
Share-based payments	**635,982**	83,330,200
	₱160,648,482	₱264,729,400

There are no agreements between the Parent Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Parent Company's retirement plan.

23. **Retirement Plan**

The Parent Company has funded, noncontributory tax-qualified defined benefit type of retirement plans (the Plan) covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Parent Company's fund is in the form of a trust fund being maintained by trustee banks such as BPI Asset Management and Trust Group and Deutsche Bank (collectively the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

Republic Act 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity. The law does not require minimum funding of the plan.

The components of pension expense (included in “Manpower costs” under “General and administrative expenses”) in the parent company statements of income follow:

	2014	2013
Current service cost	**₱186,357,400**	₱163,571,700
Net interest cost on benefit obligation	**33,545,600**	16,473,700
Total pension expense	**₱219,903,000**	₱180,045,400

The remeasurement effects recognized in other comprehensive income (included in Equity under “Remeasurement loss on pension liabilities”) in the parent company statements of financial position follow:

	2014	2013
Return (gain) loss on plan assets (excluding amount included in net interest)	**(₱28,001,800)**	₱3,426,500
Actuarial loss due to liability experience	**94,238,200**	143,347,500
Actuarial loss due to liability assumption changes - economic	**49,653,900**	132,555,200
Remeasurements in other comprehensive income	**₱115,890,300**	₱279,329,200

The funded status and amounts recognized in the parent company statements of financial position for the pension plan as of December 31, 2014 and 2013 follow:

	2014	2013
Benefit obligation	**₱2,651,277,700**	₱2,446,946,400
Plan assets	**(1,507,874,700)**	(1,645,503,000)
Net pension liability	**₱1,143,403,000**	₱801,443,400

Changes in net defined benefit liability of funded funds in 2014 are as follows (in thousands):

		Net benefit cost in parent company statement of income					**Remeasurements in other comprehensive income**							
	January 1, 2014	**Current service cost**	**Past service cost**	**Net interest**	**Subtotal**	**Benefits paid**	**Return on plan assets***	**Actuarial (gain) loss due to liability experience**	**Actuarial (gain) loss due to liability assumption changes - demographic**	**Actuarial (gain) loss due to liability assumption changes - economic**	**Net remeasure-ment loss**	**Contribution by employer**	**Transfer in /(out)**	**December 31, 2014**
Present value of defined benefit obligation	**₱2,446,946**	**₱186,358**	**₱–**	**₱103,938**	**₱290,296**	**(₱229,856)**	**₱–**	**₱94,238**	**₱–**	**₱49,654**	**₱143,892**	**₱–**	**₱–**	**₱2,651,278**
Fair value of plan assets	**(1,645,503)**	**–**	**–**	**(70,392)**	**(70,392)**	**229,856**	**(28,002)**	**–**	**–**	**–**	**(28,002)**	**–**	**6,166**	**(1,507,875)**
Net defined benefit liability (asset)	**₱801,443**	**₱186,357**	**₱–**	**₱33,546**	**₱219,903**	**₱–**	**(₱28,002)**	**₱94,238**	**₱–**	**₱49,654**	**₱115,890**	**₱–**	**₱6,166**	**₱1,143,403**

*excluding amount included in net interest

Changes in net defined benefit liability of funded funds in 2013 are as follows (in thousands):

		Net benefit cost in parent company statement of income					Remeasurements in other comprehensive income							
	January 1, 2013	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan assets	Actuarial (gain)/loss due to liability experience	Actuarial (gain) loss due to liability assumption changes – demographic	Actuarial (gain) loss due to liability assumption changes - economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	December 31, 2013
Present value of defined benefit obligation	₱2,011,965	₱163,572	₱–	₱101,277	₱264,849	(₱72,749)	₱–	₱143,348	₱–	₱132,555	₱275,903	₱–	(₱33,022)	₱2,446,946
Fair value of plan assets	(1,660,404)	–	–	(84,804)	(84,804)	72,749	3,426	–	–	–	3,426	–	23,530	(1,645,503)
Net defined benefit liability (asset)	₱351,561	₱163,572	₱–	₱16,473	₱180,045	₱–	₱3,426	₱143,348	₱–	₱132,555	₱279,329	–	(₱9,492)	₱801,443

*excluding amount included in net interest

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

All equity and debt instruments held have quoted prices in an active market. The remaining plan assets do not have quoted market prices in an active market.

The plan assets have diverse investments and do not have any concentration risk.

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	December 31	
	2014	2013
Cash and cash equivalents	**₱–**	₱370,404,000
Equity investments		
Holding Firms	**211,073,000**	106,347,000
Mutual Funds	**121,871,000**	167,965,000
Services	**59,074,000**	50,341,000
Property	**57,069,000**	70,342,000
Financials	**38,805,000**	56,879,000
Industrials	**31,130,000**	62,564,000
Mining and Oil	**4,101,000**	5,339,000
Unit Investment trust Funds	**–**	25,612,000
	523,123,000	545,389,000
Debt investments		
Government securities	**341,337,000**	484,461,000
AAA rated debt securities	**297,756,000**	200,008,000
Not rated debt securities	**236,271,000**	41,553,000
Others	**105,706,080**	–
	981,070,080	726,022,000
Other assets	**355,620**	362,000
	₱1,504,548,700	₱1,642,177,000

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history.

The Parent Company expects to make contributions of ₱146.5 million to its retirement fund in 2015.

The allocation of the fair value of plan assets follows:

	2014	2013
Investments in debt securities	**65.21%**	44.21%
Investments in equity securities	**34.77**	33.21
Others	**0.02**	22.58

Funds invested in debt securities include government securities, corporate notes and bonds, debt securities held by unit investment trust funds and special deposit accounts. Investments in equity securities consist of investments in PSE-listed stocks and equity securities held by unit investment trust funds. Others were in the form of cash and cash equivalents.

The Parent Company's transactions with the fund mainly pertain to contributions, benefit payments and settlements.

The plan assets include shares of stock of the Parent Company with fair value amounting to ₱34.1 million and ₱26.7 million as of December 31, 2014 and 2013 respectively. The Parent Company gives the trustee bank the discretion to exercise voting rights over the shares. The plan assets include debt securities of the Parent Company amounting to ₱55.6 million and ₱5.0 million as of December 31, 2014 and 2013, respectively.

In 2014 and 2013, the gains (losses) of the fund arising from investments in debt and equity securities of the Parent Company amounted to ₱2.9 million and (₱0.1 million), respectively.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2014	2013
Discount rate	**4.25%**	4.50%
Future salary increases	**7.00**	7.00

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Effect on income before income tax Increase (decrease)	
Change in basis points	**+ 100 basis points**	**- 100 basis Points**
Discount rate	**(₱189,593,342)**	**₱215,278,473**
Salary increase rate	**207,864,208**	**(186,945,390)**

As of December 31, 2014, the carrying value of the plan assets amounted to ₱1,504.5 million.

Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	**2014**	2013
December 31, 2014	**₱–**	₱267,780,200
December 31, 2015	**309,892,300**	272,599,300
December 31, 2016	**194,738,800**	176,268,400
December 31, 2017	**177,697,700**	173,554,900
December 31, 2018 through December 31, 2024	**2,181,992,300**	1,841,682,600

The average duration of the defined benefit obligation as at December 31, 2014 and 2013 are 9.13 years and 12.95 years, respectively.

24. Stock Options and Ownership Plans

The Parent Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (ESOWN) covering 2.5% of the Parent Company's authorized capital stock. The grantee is selected based on certain criteria such as outstanding performance over a three-year period.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Parent Company or any of its subsidiaries during the ten (10)-year option period. In case the grantee retires, he is given three (3) years to exercise his vested and unvested options. In case the grantee resigns, he is given ninety (90) days to exercise his vested options.

ESOP

Movements in the number of stock options outstanding under ESOP follow:

Pre-PFRS 2 Options

	2014	**Weighted average exercise price**	2013	Weighted average exercise price
Balance at beginning of year	**–**	**₱–**	6,424,068	₱4.23
Exercised	**–**	**–**	(2,552,664)	3.74
Cancelled	**–**	**–**	(3,871,404)	–
Balance at end of year	**–**	**₱–**	–	₱4.58

PFRS 2 Options

	2014	**Weighted average exercise price**	2013	Weighted average exercise price
Balance at beginning of year	**10,377,981**	**₱4.58**	11,039,666	₱4.23
Exercised	**(5,624,981)**	**4.26**	(661,685)	3.74
Cancelled	**(1,894,640)**	**–**	–	–
Balance at end of year	**2,858,360**	**₱5.63**	10,377,981	₱4.58

The options exercised had a weighted average exercise price of ₱4.26 per share or ₱23.96 million in 2014 and ₱3.74 per share or ₱12.02 million in 2013.

The average fair market value of the shares at the exercise date was ₱31.46 per share or about ₱177.0 million in 2014 and ₱30.00 per share or about ₱96.4 million in 2013.

The fair value of stock options granted is estimated at the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted.

The fair value of stock options granted under ESOP at June 30, 2005 grant date, and the assumptions used to determine the fair value of the stock options are as follows:

Weighted average share price	₱8.36
Exercise price	₱6.75
Expected volatility	46.30%
Option life	10 years
Dividend yield	3.21%
Interest rate	12.60%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also necessarily be the actual outcome.

ESOWN

In November 2001, the Parent Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Parent Company introduced a revised ESOWN and granted to qualified officers wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the plan are subject to the Parent Company's Right to Repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. The Binomial Tree model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk-free rate.

For the unsubscribed shares, the employee still has the option to subscribe within seven years.

Movements in the number of options outstanding under ESOWN follow:

	2014	**Weighted average exercise price**	2013	Weighted average exercise price
Balance at beginning of year	**12,683,257**	**₱14.19**	19,149,441	₱10.31
Granted	**12,640,541**		15,385,695	
Subscribed	**(12,330,426)**	**21.10**	(18,784,577)	18.74
Cancelled Availment	**279,632**		792,824	
Cancelled	**(993,724)**		(3,860,126)	
Balance at end of year	**12,279,280**	**₱15.61**	12,683,257	₱14.19

The fair value of stock options granted is estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. Option maturity is four years from the date of grant.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follows:

	Grant Dates				
	March 20, 2014	March 18, 2013	March 13, 2012	March 31, 2011	March 31, 2010
Number of unsubscribed shares	1,369,887	1,713,868	3,967,302	3,843,057	2,298,247
Fair value of each option	₱12.60	₱12.07	₱6.23	₱7.27	₱8.88
Weighted average share price	₱31.46	₱30.00	₱21.98	₱15.5	₱13.00
Exercise price	₱22.55	₱21.45	₱14.69	₱13.2	₱9.74
Expected volatility	33.50%	36.25%	33.00%	36.25%	43.57%
Dividend yield	1.42%	1.93%	0.9%	1.01%	0.48%
Interest rate	3.13%	2.78%	5.70%	5.60%	5.95%

	Grant Date				
	April 30, 2009	May 15, 2008	September 20, 2007	June 5, 2006	November 16, 2005
Number of unsubscribed shares	5,418,619	15,057,840	494,400	5,270,333	3,036,933
Fair value of each option	₱4.05	₱6.77	₱6.93	₱7.33	₱5.58
Weighted average share price	₱6.40	₱10.50	₱15.00	₱13.00	₱9.30
Exercise price	₱4.96	₱9.74	₱12.00	₱10.35	₱7.03
Expected volatility	37.45%	32.04%	34.67%	46.03%	46.32%
Dividend yield	0.85%	0.49%	0.41%	1.56%	0.77%
Interest rate	5.94%	8.53%	6.93%	10.55%	11.30%

Total expense recognized in the 2014 and 2013 parent company statements of income arising from share-based payments amounted to ₱196.1 million and ₱232.7 million, respectively.

Subscriptions receivable from the stock option plans covering the Parent Company's shares are presented under equity.

25. Financial Assets and Liabilities

Fair Value Information
The following tables set forth the carrying values and estimated fair values of the Parent Company's financial assets and liabilities recognized as of December 31, 2014 and 2013:

	2014		2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Trade residential development	**₱11,554,293,279**	**₱12,133,312,767**	₱6,414,883,875	₱6,451,769,783
Investment in bonds classified as loans and receivables	**450,000,000**	**463,406,588**	1,000,000,000	1,000,000,000
Receivable from employees	**100,484,457**	**100,639,445**	89,130,333	89,201,417
	12,104,777,736	**12,697,358,800**	7,504,014,208	7,540,971,200
Other Financial Liabilities				
Long-term debt	**64,378,836,919**	**65,379,346,621**	57,345,144,435	60,644,221,081
Deposits and other noncurrent liabilities	**8,198,510,326**	**8,198,510,326**	8,262,564,354	8,262,564,354
	₱72,577,347,245	**₱73,577,856,947**	₱65,607,708,789	₱68,906,785,435

The methods and assumptions used by the Parent Company in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments, current trade receivables, receivable from related parties, advances to other companies, receivables from employees, dividend receivable and interest receivable - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.

Financial assets at FVPL - These are investments in UITF. Fair value is based on net asset values as of reporting dates.

AFS quoted equity and debt securities - Fair values are based on quoted prices as of reporting dates.

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Receivable from residential accounts - The fair values of residential accounts are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 3.54% to 6.17% and 8.00% to 13.25% as of December 31, 2014 and 2013.

Accounts and other payables, short-term debt and current portion of long-term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these instruments.

Long-term debt and deposits and other noncurrent liabilities - The fair value of noncurrent unquoted instruments are estimated using the discounted cash flow methodology using the Parent Company's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 3.88% to 6.48% and 1.82% to 6.13% as of December 31, 2014 and 2013, respectively.

Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fairvalue are observable in the market, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Parent Company categorizes trade residential development receivable, investment in bonds classified as loans and receivables, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3 in December 31, 2014. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted AFS financial assets amounting to ₱22.5 million and ₱19.1 million as of December 31, 2014 and 2013, respectively, were classified under the Level 1 category.

There are no quoted AFS financial assets which have been classified under the Level 2 and 3 categories.

There have been no reclassifications from Level 1 to Level 2 categories.

Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, short-term investments, financial assets at FVPL, AFS quoted and unquoted equity securities, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Parent Company's operations. The Parent Company has various financial assets such as cash and cash equivalents, short-term investments, AFS financial assets, trade receivables and payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, foreign currency risks and equity price arise in the normal course of the Parent Company's business activities. The main objectives of the Parent Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Parent Company's financial risk exposures. It is the Parent Company's policy not to enter into derivative transactions for speculative purposes.

The Parent Company's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Parent Company.

There were no changes in the Parent Company's financial risk management objectives and policies in 2014 and 2013.

Liquidity risk
Liquidity risk is defined by the Parent Company as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Parent Company that make it difficult for the Parent Company to raise the necessary funds or that forces the Parent Company 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 Parent Company employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Parent Company has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Parent Company ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Parent Company's financial liabilities at December 31, 2014 and 2013 based on contractual undiscounted payments:

December 31, 2014

	< 1 year	**1 to < 5 years**	**> 5 years**	**Total**
Accounts and other payables	**₱45,609,052,031**	**₱–**	**₱–**	**₱45,609,052,031**
Short-term debt	**8,321,511,981**	**–**	**–**	**8,321,511,981**
Long-term debt	**1,087,510,000**	**21,970,521,808**	**41,701,123,392**	**64,759,155,200**
Deposits and other noncurrent liabilities	**–**	**8,198,510,326**	**–**	**8,198,510,326**
	₱55,018,074,012	**₱30,169,032,134**	**₱41,701,123,392**	**₱126,888,229,538**
Interest payable	**₱3,706,040,241**	**₱12,126,161,950**	**₱10,206,930,987**	**₱26,039,133,178**

December 31, 2013

	< 1 year	1 to < 5 years	> 5 years	Total
Accounts and other payables	₱34,089,507,209	₱–	₱–	₱34,089,507,209
Short-term debt	3,899,905,419	–	–	3,899,905,419
Long-term debt	670,995,000	8,238,783,227	48,781,188,098	57,690,966,325
Deposits and other noncurrent liabilities	–	8,262,564,354	–	8,262,564,354
	₱38,660,407,628	₱16,501,347,581	₱48,781,188,098	₱103,942,943,307
Interest payable	₱2,099,894,774	₱11,213,426,550	₱10,009,319,671	₱23,322,640,995

Cash and cash equivalents, short-term investments, financial assets at FVPL and treasury bonds and treasury bills classified as AFS financial assets are used for the Parent Company's liquidity requirements. Please refer to the terms and maturity profile of these financial statements under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. As of December 31, 2014 and 2013, undrawn loan commitments from long-term credit facilities amounted to nil and ₱1,500.0 million, respectively.

Credit risk
Credit risk is a risk that counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Parent Company's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Parent Company maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect to installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Parent Company also undertakes supplemental credit review procedures for certain installment payment structures. The Parent Company's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Parent Company security deposits and advance rentals which helps reduce the Parent Company's credit risk exposure in case of defaults by the tenants. For existing tenants, the Parent Company has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets comprise cash and cash equivalents, short-term investments and AFS financial assets. The Parent Company adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Parent Company closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

Given the Parent Company's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The Parent Company's maximum exposure to credit risk as of December 31, 2014 and 2013 is equal to the carrying values of its financial assets, except for the following:

2014

	Gross maximum exposure	**Fair value of collateral or credit enhancement**	**Net exposure**	**Financial effect of collateral or credit enhancement**
Accounts and notes receivables				
Trade				
Residential development	**₱11,554,293,279**	**₱15,347,450,621**	**₱–**	**₱11,554,293,279**
Shopping centers	**898,229,655**	**1,445,407,886**	**–**	**1,062,024,346**
Corporate business	**512,009,502**	**293,409,302**	**218,600,200**	**293,409,302**
Receivable from employees	**100,484,457**	**14,208,500**	**86,275,957**	**14,208,500**
	₱13,065,016,893	**₱17,100,476,309**	**₱304,876,157**	**₱12,923,935,427**

2013

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivables				
Trade				
Residential development	₱6,414,883,875	₱32,677,477,044	₱–	₱6,414,883,875
Shopping centers	864,240,954	1,246,327,321	–	956,401,717
Corporate business	360,504,070	212,843,905	147,660,165	212,843,905
Receivable from employees	89,130,333	30,248,579	58,881,754	30,248,579
	₱7,728,759,232	₱34,166,896,849	₱206,541,919	₱7,614,378,076

The table below shows the credit quality of the Parent Company's financial assets as of December 31, 2014 and 2013:

2014

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	**₱7,660,307,217**	**₱–**	**₱–**	**₱–**	**₱7,660,307,217**	**₱–**	**₱–**	**₱7,660,307,217**
Financial asset at FVPL	**1,819,936**	**–**	**–**	**–**	**1,819,936**	**–**	**–**	**1,819,936**
Accounts and notes receivables								
Trade								
Residential development	**11,116,181,042**	**–**	**–**	**–**	**11,116,181,042**	**438,112,237**	**–**	**11,554,293,279**
Shopping centers	**792,052,045**	**–**	**–**	**–**	**792,052,045**	**170,683,076**	**99,289,225**	**1,062,024,346**
Corporate business	**404,508,868**	**–**	**–**	**–**	**404,508,868**	**107,500,634**	**–**	**512,009,502**
Rent receivables	**37,308,670**	**–**	**–**	**–**	**37,308,670**	**–**	**–**	**37,308,670**
Others	**3,942,181**	**–**	**–**	**–**	**3,942,181**	**81,820,806**	**47,091,223**	**132,854,210**
Receivable from related parties	**21,396,303,761**	**–**	**–**	**–**	**21,396,303,761**	**–**	**–**	**21,396,303,761**
Advances to other companies	**5,142,093,948**	**–**	**–**	**–**	**5,142,093,948**	**–**	**160,384,121**	**5,302,478,069**
Investment in bonds classified as loans and receivables	**450,000,000**	**–**	**–**	**–**	**450,000,000**	**–**	**–**	**450,000,000**
Receivable from employees	**100,484,457**	**–**	**–**	**–**	**100,484,457**	**–**	**–**	**100,484,457**
Dividends receivable	**23,687,821**	**–**	**–**	**–**	**23,687,821**	**–**	**–**	**23,687,821**
Interest receivable	**16,503,864**	**–**	**–**	**–**	**16,503,864**	**–**	**–**	**16,503,864**
AFS financial assets								
Unquoted	**–**	**–**	**–**	**192,214,638**	**192,214,638**	**–**	**–**	**192,214,638**
Quoted	**22,463,999**	**–**	**–**	**–**	**22,463,999**	**–**	**–**	**22,463,999**
	₱47,167,657,809	**₱–**	**₱–**	**₱192,214,638**	**₱47,359,872,447**	**₱798,116,753**	**₱306,764,569**	**₱48,464,753,769**

2013

	Neither Past Due nor Impaired					Past Due but	Individually	
	High Grade	Medium Grade	Low Grade	Unrated	Total	not Impaired	Impaired	Total
Cash and cash equivalents (excluding cash on hand)	₱6,812,348,460	₱–	₱–	₱–	₱6,812,348,460	₱–	₱–	₱6,812,348,460
Short-term investments	16,728,117	–	–	–	16,728,117	–	–	16,728,117
Financial asset at FVPL	1,805,528	–	–	–	1,805,528	–	–	1,805,528
Accounts and notes receivables							–	
Trade							–	
Residential development	6,130,053,635	–	–	–	6,130,053,635	284,830,240	–	6,414,883,875
Shopping centers	639,751,342	–	–	–	639,751,342	234,755,578	81,894,797	956,401,717
Corporate business	249,378,429	–	–	–	249,378,429	111,125,641	–	360,504,070
Rent receivables	34,618,767	–	–	–	34,618,767	–	–	34,618,767
Others	32,359,174	–	–	–	32,359,174	–	47,091,223	79,450,397
Receivable from related parties	25,909,306,904	–	–	–	25,909,306,904	–	–	25,909,306,904
Advances to other companies	1,569,721,262	–	–	–	1,569,721,262	–	160,384,121	1,730,105,383
Investment in bonds classified as loans and receivables	1,000,000,000	–	–	–	1,000,000,000	–	–	1,000,000,000
Receivable from employees	89,130,333	–	–	–	89,130,333	–	–	89,130,333
Dividends receivable	13,112,459	–	–	–	13,112,459	–	–	13,112,459
Interest receivable	17,803,444	–	–	–	17,803,444	–	–	17,803,444
AFS financial assets								
Unquoted	–	–	–	192,214,638	192,214,638	–	–	192,214,638
Quoted	19,073,999	–	–	–	19,073,999	–	–	19,073,999
	₱42,535,191,853	₱–	₱–	₱192,214,638	₱42,727,406,491	₱630,711,459	₱289,370,141	₱43,647,488,091

As of December 31, 2014 and 2013, the aging analysis of past due but not impaired trade receivables presented per class, is as follows:

2014

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		30 days	30-60 days	60-90 days	90-120 days	120 days	Total		
Trade									
Residential development	₱11,116,181,042	₱83,781,374	₱38,534,059	₱12,850,907	₱42,966,590	₱259,979,307	₱438,112,237	₱–	₱11,554,293,279
Shopping centers	792,052,045	–	57,995,156	27,126,828	14,765,592	70,795,500	170,683,076	99,289,225	1,062,024,346
Corporate business	404,508,868	8,602,203	3,311,111	12,597,563	6,759,000	76,230,757	107,500,634	–	512,009,502
Rent receivables	37,308,670	–	–	–	–	–	–	–	37,308,670
Others	3,942,181	40,766,021	28,576,066	12,460,341	18,378	–	81,820,806	47,091,223	132,854,210
Receivable from related parties	21,396,303,761	–	–	–	–	–	–	–	21,396,303,761
Advances to other companies	5,142,093,948	–	–	–	–	–	–	160,384,121	5,302,478,069
Investments in bonds classified as loans and receivables	450,000,000	–	–	–	–	–	–	–	450,000,000
Receivable from employees	100,484,457	–	–	–	–	–	–	–	100,484,457
Dividends	23,687,821	–	–	–	–	–	–	–	23,687,821
Interest receivable	16,503,864	–	–	–	–	–	–	–	16,503,864
	₱39,483,066,657	₱133,149,598	₱128,416,392	₱65,035,639	₱64,509,560	₱407,005,564	₱798,116,753	₱306,764,569	₱40,587,947,979

2013

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		30 days	30-60 days	60-90 days	90-120 days	120 days	Total		
Trade									
Residential development	₱6,130,053,635	₱9,046,949	₱42,142,367	₱8,733,687	₱10,797,049	₱214,110,188	₱284,830,240	₱–	₱6,414,883,875
Shopping centers	639,751,342	–	18,400,120	23,468,153	14,954,965	177,932,340	234,755,578	81,894,797	956,401,717
Corporate business	249,378,429	–	6,096,326	25,413,391	24,403,908	55,212,016	111,125,641	–	360,504,070
Rent receivables	34,618,767	–	–	–	–	–	–	–	34,618,767
Others	32,359,174	–	–	–	–	–	–	47,091,223	79,450,397
Receivable from related parties	25,909,306,904	–	–	–	–	–	–	–	25,909,306,904
Advances to other companies	1,569,721,262	–	–	–	–	–	–	160,384,121	1,730,105,383
Investments in bonds classified as loans and receivables	1,000,000,000	–	–	–	–	–	–	–	1,000,000,000
Receivable from employees	89,130,333	–	–	–	–	–	–	–	89,130,333
Dividends	13,112,459	–	–	–	–	–	–	–	13,112,459
Interest receivable	17,803,444	–	–	–	–	–	–	–	17,803,444
	₱35,685,235,749	₱9,046,949	₱66,638,813	₱57,615,231	₱50,155,922	₱447,254,544	₱630,711,459	₱289,370,141	₱36,605,317,349

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVPL, quoted AFS securities - based on the nature of the counterparty and the Parent Company's internal rating system.

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to three (3) defaults in payment in the past; and low grade pertains to receivables with more than three (3) defaults in payment.

The unquoted AFS financial assets are unrated.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Parent Company's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Parent Company's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Parent Company manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Parent Company's ratio of fixed to floating rate debt stood at 84:16 and 88:12 as of December 31, 2014 and 2013, respectively.

The following tables demonstrate the sensitivity of the Parent Company's income before income tax and equity to a reasonably possible change in interest rates on December 31, 2014 and 2013, with all variables held constant, (through the impact of floating rate borrowings and changes in fair value of AFS financial assets):

2014

	Effect on income before income tax Change in basis points	
	+100 basis points	**-100 basis points**
Floating rate borrowings	**(₱116,820,572)**	**₱116,820,572**

2013

	Effect on income before income tax Change in basis points	
	+100 basis points	-100 basis points
Floating rate borrowings	(₱74,985,667)	₱74,985,667

In 2014 and 2013, the Parent Company determined the reasonably possible change in interest rates using the percentages in weighted average yield rates of outstanding securities for the past two years.

The terms and maturity profile of the interest-bearing financial assets and liabilities, together with its corresponding nominal amounts and carrying values are shown in the following tables:

2014

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	**₱7,660,307,217**	**₱7,660,307,217**	**₱–**	**₱–**	**₱7,660,307,217**
Accounts and notes receivable	Fixed at the date of sale	Date of sale	**14,276,383,063**	**11,554,293,279**	**450,000,000**	**–**	**12,004,293,279**
			₱21,936,690,280	**₱19,214,600,496**	**₱450,000,000**	**₱–**	**₱19,664,600,496**
Short-term debt - US Dollar	Variable at 1.20% to 1.30%	Monthly	**₱1,661,511,981**	**₱1,661,511,981**	**₱–**	**₱–**	**₱1,661,511,981**
Short-term debt - Peso	Variable at 2.75% to 2.90%	Monthly	**6,660,000,000**	**6,660,000,000**	**–**	**–**	**6,660,000,000**
Long-term debt							
Fixed							
Peso	Fixed at 5.625%	7 years	**9,350,000,000**	**–**	**9,292,190,176**	**–**	**9,292,190,176**
Peso	Fixed at 6.00%	10 years	**5,650,000,000**	**–**	**–**	**5,615,066,791**	**5,615,066,791**
Peso	Fixed at 5.00%	10.5 years	**15,000,000,000**	**–**	**–**	**14,875,092,053**	**14,875,092,053**
Peso	Fixed at 4.625%	7 years	**4,000,000,000**	**–**	**–**	**3,969,010,479**	**3,969,010,479**
Peso	Fixed at 6.00%	20 years	**2,000,000,000**	**–**	**–**	**1,982,329,514**	**1,982,329,514**
Peso	Fixed at 5.625%	11 years	**8,000,000,000**	**–**	**–**	**7,922,131,165**	**7,922,131,165**
Peso	Fixed at 5.00%	3 years	**986,710,000**	**986,710,000**	**–**	**–**	**986,710,000**
Peso	Fixed at 4.00%	3 years	**1,982,700,000**	**–**	**1,982,700,000**	**–**	**1,982,700,000**
Peso	Fixed at 7.75%	10 years	**100,000,000**	**–**	**100,000,000**	**–**	**100,000,000**
Peso	Fixed at 8.90%	10 years	**1,316,700,000**	**13,300,000**	**1,303,400,000**	**–**	**1,316,700,000**
Peso	Fixed at 5.625% to 7.50%	5, 10 and 15 years	**8,012,500,000**	**37,500,000**	**3,829,479,895**	**4,109,381,646**	**7,976,361,541**
Peso	Fixed at 4.50%	10.25 years	**5,000,000,000**	**50,000,000**	**200,000,000**	**4,750,000,000**	**5,000,000,000**
Floating							
USD	Variable at 2.12% over 3-month LIBOR	10.25 years	**2,360,545,200**	**–**	**70,816,356**	**2,289,728,844**	**2,360,545,200**
Peso	Variable at 0.96% over 91-day DR1	7 years	**1,000,000,000**	**–**	**1,000,000,000**	**–**	**1,000,000,000**
			₱73,080,667,181	**₱9,409,021,981**	**₱17,778,586,427**	**₱45,512,740,492**	**₱72,700,348,900**

2013

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	₱6,812,348,460	₱6,812,348,460	₱–	₱–	₱6,812,348,460
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	16,728,117	16,728,117	–	–	16,728,117
Accounts and notes receivable	Fixed at the date of sale	Date of sale	23,831,312,544	6,759,619,439	15,822,896,141	1,000,000,000	23,582,515,580
			₱30,662,194,649	₱13,590,501,544	₱15,822,896,141	₱1,000,000,000	₱30,413,397,685
Short-term debt - US Dollar	Variable at 1.200% to 1.300%	Monthly	₱1,679,905,419	₱1,679,905,419	₱–	₱–	₱1,679,905,419
Short-term debt - Peso	Variable	Monthly	2,220,000,000	2,220,000,000	–	–	2,220,000,000
Long-term debt							
Fixed							
Peso	Fixed at 7.750%	10 years	100,000,000	–	100,000,000	–	100,000,000
Peso	Fixed at 8.900%	7 years	1,330,000,000	13,300,000	53,200,000	1,263,500,000	1,330,000,000
Peso	Fixed at 5.000%	3 years	620,195,000	620,195,000	–	–	620,195,000
Peso	Fixed at 5.000%	3 years	992,460,000	–	992,460,000	–	992,460,000
Peso	Fixed at 5.000%	3 years	1,999,650,000	–	1,999,650,000	–	1,999,650,000
Peso	Fixed at 5.625%	7 years	9,350,000,000	–	–	9,281,120,000	9,281,120,000
Peso	Fixed at 6.000%	10 years	5,650,000,000	–	–	5,608,377,000	5,608,377,000
Peso	Fixed at 5.625% to 7.500%	5, 10 and 15 years	8,050,000,000	37,500,000	3,825,982,000	4,140,326,000	8,003,808,000
Peso	Fixed at 5.000%	10.5 years	15,000,000,000	–	–	14,864,568,110	14,864,568,110
Peso	Fixed at 4.625%	7 years	4,000,000,000	–	–	3,964,465,000	3,964,465,000
Peso	Fixed at 6.000%	20 years	2,000,000,000	–	–	1,981,840,000	1,981,840,000
Peso	Fixed at 4.500%	10.25 years	5,000,000,000	–	200,000,000	4,800,000,000	5,000,000,000
Floating							
USD	Variable at 2.12% over 3-month LIBOR	10.25 years	2,598,661,325	–	51,973,325	2,546,688,000	2,598,661,325
Peso	Variable at 0.96% over 90-day DR1	7 years	1,000,000,000	–	1,000,000,000	–	1,000,000,000
			₱61,590,871,744	₱4,570,900,419	₱8,223,265,325	₱48,450,884,110	₱61,245,049,854

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Financial assets and credit facilities of the Parent Company, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. There are only minimal placements in foreign currencies. As such, the Parent Company's foreign currency risk is minimal.

The following table shows the Parent Company's foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2014 and 2013:

	2014		2013	
	US Dollar	**Php Equivalent**	US Dollar	Php Equivalent
Financial Assets				
Cash and cash equivalents	**$203,534**	**₱9,102,040**	$400,366	₱17,774,262
Financial Liabilities				
Short-term debt	**$37,153,667**	**₱1,661,511,988**	$37,839,969	₱1,679,905,419
Long-term debt	**52,785,000**	**2,360,545,200**	58,535,000	2,598,661,325
	$89,938,667	**₱4,022,057,188**	$96,374,969	₱4,278,566,744
Net foreign currency-denominated liabilities	**($89,735,133)**	**(₱4,012,955,148)**	($95,974,603)	(₱4,260,792,482)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rate used was ₱44.72 to US$1.00 and ₱44.40 to US$1.00, the Philippine Peso - USD exchange rates as of December 31, 2014 and 2013, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine Peso - U.S. Dollar exchange rate, with all variables held constant, of the Parent Company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Increase (decrease)	Effect on profit before tax	
in exchange rate	**2014**	2013
₱1.00	**(₱89,735,133)**	(₱95,974,603)
(1.00)	**₱89,735,133**	95,974,603

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

Equity price risk
Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Parent Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

Quoted financial assets at FVPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

The Parent Company measures the sensitivity of its investment securities based on the average historical fluctuation of the investment securities net asset value per unit (NAVPU). All other variables held constant, with a duration of 0.05 and 0.04 year for 2014 and 2013 respectively, the fair value of the Parent Company's investment in the Fund, net income and equity will increase (decrease) by ₱2.8 million and ₱5.2 million, respectively for a 100 basis points decrease (increase) in NAVPU.

26. Segment Information

The industry segments where the Parent Company operates follow:

Core business:

- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate business - development and lease or sale of office buildings
- Residential developments - sale of high-end and upper middle-income residential lots and units, and leisure community developments; lease of residential developments under joint venture
- Strategic landbank management and Visayas-Mindanao - acquisition, development and sale of large-scale, mixed-use, masterplanned communities; sale of override units or the Parent Company's share in properties made available to subsidiaries for development; lease of gas station sites and carparks outside Ayala Center. This also includes development, sale and lease, shopping centers and residential developments of the Parent Company's product offerings in key cities in the Visayas and Mindanao regions
- Corporate - company-wide activities not catering to specific business units

Support Business:

- Property management - facilities management of the Parent Company

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for the years then ended (in millions).

2014

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Support Businesses	Corporate	Total
Revenue							
Sales to external customers	**₱4,079**	**₱1,466**	**₱15,279**	**₱6,672**	**₱–**	**₱39**	**₱27,535**
Operating expenses	**1,893**	**362**	**10,255**	**4,432**	**9**	**252**	**17,203**
Operating profit	**2,186**	**1,104**	**5,024**	**2,240**	**(9)**	**(213)**	**10,332**
General and administrative expenses	**(124)**	**(414)**	**(473)**	**(353)**	**(124)**	**(1,236)**	**(2,724)**
Interest expense and other financing charges	**(8)**	**(23)**	**(4)**	**–**	**–**	**(3,670)**	**(3,705)**
Interest and investment income	**–**	**–**	**724**	**22**	**–**	**209**	**955**
Other income	**41**	**–**	**64**	**39**	**–**	**18**	**162**
Dividend income	**–**	**–**	**–**	**–**	**–**	**6,203**	**6,203**
Other charges	**(72)**	**(14)**	**–**	**–**	**–**	**(41)**	**(127)**
Provision for income tax	**(627)**	**490**	**(70)**	**(32)**	**–**	**(1,203)**	**(1,442)**
Net income	**₱1,396**	**₱1,143**	**₱5,265**	**₱1,916**	**(₱133)**	**₱67**	**₱9,654**
Other Information							
Segment assets	**₱46,191**	**₱21,839**	**₱79,526**	**₱40,729**	**₱5,187**	**₱13,956**	**₱207,428**
Deferred tax assets	**–**	**–**	**–**	**–**	**–**	**1,817**	**1,817**
Total assets	**₱46,191**	**₱21,839**	**₱79,526**	**₱40,729**	**₱5,187**	**₱15,773**	**₱209,245**
Segment liabilities	**(₱26,997)**	**(₱8,187)**	**(₱56,384)**	**(₱21,632)**	**(₱3,013)**	**(₱12,824)**	**(₱129,037)**
Segment additions to:							
Property and equipment	**₱3**	**₱34**	**₱11**	**₱30**	**₱6**	**₱82**	**₱166**
Investment properties	**4,738**	**724**	**(11)**	**886**	**8**	**541**	**6,886**
Depreciation and amortization	**₱508**	**₱239**	**₱21**	**₱136**	**₱4**	**₱131**	**₱1,039**

2013

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Support Businesses	Corporate	Total
Revenue							
Sales to external customers	₱3,944	₱1,202	₱10,724	₱8,944	₱3	₱7	₱24,824
Operating expenses	1,943	604	7,327	6,538	52	–	16,464
Operating profit	2,001	598	3,397	2,406	(49)	7	8,360
General and administrative expenses	(726)	(78)	(344)	(346)	(147)	(1,473)	(3,114)
Interest expense and other financing charges	11	(38)	(1)	–	–	(2,835)	(2,863)
Interest and investment income	–	–	–	–	–	843	843
Other income	–	–	–	–	–	314	314
Dividend income	–	–	–	–	–	4,502	4,502
Other charges	(31)	–	(90)	(158)	–	(421)	(700)
Provision for income tax	–	–	–	–	–	(864)	(864)
Net income	₱1,255	₱482	₱2,962	₱1,902	(₱196)	₱73	₱6,478
Other Information							
Segment assets	₱35,141	₱14,168	₱44,083	₱73,787	₱7,730	₱4,892	₱179,801
Deferred tax assets	–	–	–	–	–	1,943	1,943
Total assets	₱35,141	₱14,168	₱44,083	₱73,787	₱7,730	₱6,835	₱181,744
Segment liabilities	(₱13,948)	(₱5,300)	(₱23,919)	(₱51,135)	(₱6,766)	(₱4,494)	(₱105,562)
Segment additions to:							
Property and equipment	₱74	₱56	₱12	₱76	₱–	₱32	₱250
Investment properties	162	466	20	1,377	7	–	2,032
Depreciation and amortization	₱551	₱212	₱35	₱154	₱3	₱103	₱1,058

27. **Leases**

Operating Leases - Parent Company as Lessor
The Parent Company entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Parent Company are as follows:

	2014	2013
Within one year	**₱1,190,135,814**	₱1,178,578,960
After one year but not more than five years	**3,693,569,126**	3,248,947,145
More than five years	**4,130,768,825**	289,528,312
	₱9,014,473,765	₱4,717,054,417

Operating Leases - Parent Company as Lessee
On September 2, 2014, the Parent Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 square meters. The Parent Company signed a 45-year lease contract with an option to renew for another 45 years subject to such terms and conditions as may be mutually agreed upon by the lessor and the Parent Company.

On January 28, 2011, the Board of Regents of the University of the Philippines awarded to the Parent Company the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Parent Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants.

A retail establishment with about 63,000 square meters of gross leasable area and an office/BPO building about 8,000 square meters of gross leasable area shall be constructed on the property. For the year ended December 31, 2012, lease payments have been capitalized as construction was still in progress. For the year ended December 31, 2013, Phase 1a (with gross leasable area of 5,000 sqm.) of the retail establishment has commenced operations on September 30, 2013.

On December 18, 2013, the Parent Company has donated the New UPIS facilities at a total cost of ₱224.7 million and the rehabilitated and upgraded UPIS "K-2" and "3-6" Buildings at a cost of ₱40.0 million to the University of the Philippines.

28. **Long-term Commitments and Contingencies**

Commitments
On November 7, 2014, the Parent Company, SM Prime Holdings, Inc. (SMPHI), the Francisco Ortigas Group (FOG) and the Rafael Ortigas Group (ROG) have signed an agreement to cause the termination of all cases relating to the ownership and management of OCLP Holdings, Inc. (OHI), which owns Ortigas and Company Limited Partnership (OCLP). The agreement establishes a partnership that will further enhance the properties in the Ortigas area and create maximum value for their various stakeholders.

On May 12, 2014, the Parent Company has signed the terms of reference with Sureste Properties, Inc. (SPI), a wholly owned subsidiary of Bloomberry Resorts Corp. (BLOOM) for the retail area to be opened in the new Phase 1-A of Solaire Resort & Casino. The Parent Company will be the leasing and marketing agent of the said area with gross leasable area of more than 5,000 sqm.

Joint Venture Agreement (JVA) with Manila Water Company (MWC)
On April 6, 2010, the Parent Company and Manila Water Company (MWC) entered into a Memorandum of Agreement to establish a water utility services company which will manage and operate all water systems in NUVALI, as well as, adjacent projects of the Parent Company in Laguna.

During the past 3 years, the required activities according to the MOA between MWC and the Parent Company were accomplished- such as auditing and re-design of the existing water/sewerage assets of several NUVALI and the Parent Company projects in Laguna, water system design reviews and repairs, and developing plans and proposals for the expansion of the area coverage of the water and sewerage system. MWC is currently designing the cost plan and the target completion of the project has not yet been established. However, it is expected that the water and sewer system development shall happen simultaneous with NUVALI's expansion plan. The project will be undertaken in phases and in relation to expected NUVALI build out. The project shall start this year upon the signing of the JVA. MWC is currently re-estimating the project cost because of NUVALI expansion.

Agreement with Subic Bay Metropolitan Authority (SBMA)
On October 16, 2009, the Parent Company has executed a lease agreement with the Subic Bay Metropolitan Authority, for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City. The lease commitment is expected to be completed in 2060 after the 50-year lease term. The lease may be renewed for another 25 years upon mutual agreement of the parties. The Parent Company offered to develop a mall with an estimated gross leasable area of 38,000 square meters.

On March 25, 2010, the Parent Company entered into an assignment of lease agreement whereby the Parent Company assigned its rights and obligations granted to or imposed under the lease agreement to its subsidiary, SBTCI.

Contract with Bases Conversion Development Authority (BCDA)
The Parent Company has an existing contract with BCDA to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease commitment is expected to be completed in 2015. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Parent Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

As part of the bid requirement, the Parent Company procured a performance bond in 2003 from the Government Service Insurance System (GSIS) in favor of BCDA amounting to ₱3.9 billion to guarantee the committed capital to BCDA. Moreover, SSECC obtained standby letters of credit to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement.

On April 15, 2003, the Parent Company entered into a Joint Development Agreement (JDA) with BCDA for the development of lot (the Lot) inside Fort Bonifacio with a gross area of 11.6 hectares for residential purposes. Pursuant to the JDA, BCDA shall contribute the title and its interest to the Lot and the Parent Company in turn shall provide the necessary cash and expertise to undertake and complete the implementation of the residential development.

Also, in accordance with the JDA, the Parent Company shall pay an upfront cash of ₱700.0 million as advance payment for the aggregate of BCDA's annual minimum revenue share for the first 8 selling periods of the residential project, which shall be liquidated based on the terms of the JDA.

On March 24, 2004, the Parent Company and Alveo, executed an Assignment Agreement pursuant to the terms and conditions of which the Parent Company assigned to Alveo all of its rights and interest under the JDA to undertake jointly with BCDA the development of the Lot.

Development Commitment
On October 18, 2010, the Parent Company undertook to cause the planning, developing and construction of Anvaya Cove Golf and Sports Club, Inc.'s leisure and recreational facilities. The Parent Company was able to deliver the committed facilities and the Club officially opened its doors to its members in December 7, 2013.

Contingencies
The Parent Company has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Parent Company's financial position and results of operations. Disclosures required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, were not provided as it may prejudice the Company's position in ongoing claims and it can jeopardize the outcome of the claims and contingencies.

29. Notes to Statements of Cash Flows

The noncash activities of the Parent Company pertain to transfers from land and improvements to inventories amounting to ₱3,957.1 million and ₱7,433.8 million in 2014 and 2013, respectively; transfer from (to) investment property to (from) property and equipment amounting to (₱38.6 million) and ₱21.1 million in 2014 and 2013, respectively.

30. Events After the Reporting Date

The Parent Company assigned its rights and obligations on the existing commercial leasing and cinema operations of Glorietta and Greenbelt to ACCI effective January 1, 2015. Moreover, with the transfer of the leasing operations, the Parent Company received from ACCI the total consideration amounting to ₱407.0 million for the assignment of receivables and paid to ACCI the amount of security deposit and construction bond amounting to ₱1.25 billion. Pursuant to the assignment, ACCI purchased the existing cinema assets from the Parent Company on January 1, 2015 for ₱92.0 million.

On January 12, 2015, the Parent Company has completed a placement of 484,848,500 Ayala Land common shares at a price of ₱33.00 per share, raising proceeds of ₱16.0 billion. The offer price represents a 3.9% discount to the 5-day volume weighted average price ending January 9, 2015. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, in which Ayala Corporation will sell 484,848,500 listed common shares to investors and subscribe to the same number of new shares from the Parent Company. All proceeds of the placement will be remitted to the Parent Company to support its capital expenditure program for 2015, which is estimated at ₱100.0 billion.

In February 2015, the Parent Company purchased the remaining non-controlling interest of the following:
- Anglo Philippine Holdings Corporation in NTDCC comprising of 382,072 common shares and 1,605,169 preferred shares for ₱523.0 million; and
- Remaining interest of Allante Realty and Development Corporation and DBH, Inc. consisting of 167,548 common shares and 703,904 preferred shares for ₱229.0 million.

This brings the Parent Company's ownership in NTDCC from 63.8% to 73.2% of the total outstanding capital stock of NTDCC, which owns and operates the Trinoma Commercial Centre in North Triangle, Quezon City.

On February 20, 2015, the BOD approved the declaration of cash dividends amounting to ₱0.2075 per outstanding common share. These will be paid out on March 20, 2015 to shareholders on record as of March 6, 2015.

Further, on the same date, the BOD also declared annual cash dividends of 4.74786% per year or ₱0.00474786 per share to all shareholders of the Parent Company's unlisted voting preferred shares. These will be paid out on June 29, 2015 to shareholders on record as of June 15, 2015.

31. **Supplementary Information Required Under Revenue Regulations 15-2010**

In compliance with the requirements set forth by Revenue Regulations 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Value-Added Tax (VAT)
The Parent Company is a VAT-registered company with VAT output tax declaration as follows:

	Net Sales/ Receipts	Output VAT
Taxable sales on:		
Sale of goods	₱15,252,458,047	₱1,830,294,966
Leasing income	6,989,897,900	838,787,748
Others	2,941,382,687	352,965,922
	₱25,183,738,634	₱3,022,048,636

The sale of goods is recorded under Real estate sales and services account while leasing income is recorded under Rental income.

The amount of VAT Input taxes claimed are broken down as follows:

Balance at beginning of year (net Input VAT position)	₱2,488,852,032
Current year's purchases:	
Capital goods subject to amortization	43,524,155
Capital goods not subject to amortization	453,448,380
Services lodged under other accounts	2,410,730,508
Services rendered by non-residents	935,224
Input VAT applied during the year	(3,022,048,636)
Balance at end of year	₱2,375,441,663

Custom Duties and Tariff
The landed cost of the Parent Company's importations amounted to ₱32,671,540 for the year, with paid/accrued amounting to ₱1,217,928 as custom duties and ₱1,000 as other fees.

Documentary Stamp Tax (DST)
The DST paid/accrued on the following transactions are:

Transaction	Amount	DST
Interest expense and other financing charges		
Issuance of Homestarter Bonds	₱32,805,000	₱392,650
Issuance of PDTC Bonds	8,000,000,000	40,000,000
Issuance of Common shares	5,000,000	25,000
Subscription to Common shares	235,935,218	1,179,677
DST on loans	60,723,614,968	22,945,701
DST on Leases & Other Hiring Agreements	16,408,090	16,411
DST on Real Estate Mortgage	14,700,000,000	29,400,010
DST on buyout of PhilEnergy's shares	322,331,624	1,208,744
General and administrative expenses		
DST on ALI Maligaya Development Corp	1,500,000,000	7,500,000
DST on Intercompany loan	34,463,686,217	9,184,103
Investment properties		
Capitalized DST	39,887,598,732	91,564,984
	₱159,887,379,849	₱203,417,280

Taxes and Licenses
The following are the taxes, licenses and permit fees in 2014:

	Direct Operating Expenses	General and Administrative Expenses	Total
Local			
Real property tax	₱468,394,274	₱1,803,719	₱470,197,993
License and permit fees	169,008,728	10,093,513	179,102,241
Inspection fees	1,079,659	–	1,079,659
Registration and locational fees	–	22,096	22,096
Motor vehicle registration fees	–	945,800	945,800
Professional tax	–	105,124	105,124
Community tax	–	10,500	10,500
Others	–	1,395,155	1,395,155
	638,482,661	14,375,907	652,858,568
National			
Fringe benefits tax	–	198,733,795	198,733,795
Annual registration	–	500	500
	–	198,734,295	198,734,295
	₱638,482,661	₱213,110,202	₱851,592,863

Cultural and amusement taxes, which pertain to tax on theatre receipts, amounted to ₱47,920,078.

Withholding Taxes
Details of withholding taxes for the year are as follows:

Final withholding taxes	₱1,002,827,785
Expanded withholding taxes	781,913,155
Withholding taxes on compensation and benefits	443,986,958
Withholding taxes-VAT	935,224
Balance at December 31	₱2,229,663,122