AyalaLand

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of **AYALA LAND, INC.** will be held at the Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Ave., Makati City, on **Monday, April 6, 2015** at **9:00 o'clock in the morning** with the following

A G E N D A[1]

1. Proof of Notice and Determination of Quorum
2. Approval of Minutes of Previous Meeting
3. Annual Report
4. Ratification of All Acts and Resolutions of the Board of Directors and of the Executive Committee Adopted During the Preceding Year
5. Election of Directors (including the Independent Directors)
6. Election of External Auditor and Fixing of its Remuneration
7. Consideration of Such Other Business as May Properly Come Before the Meeting
8. Adjournment

Only stockholders of record at the close of business on **February 5, 2015** are entitled to notice of, and to vote at, this meeting.

Makati City, January 22, 2015.

SOLOMON M. HERMOSURA
Corporate Secretary and General Counsel

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the herein proxy form and submit the same on or before **March 24, 2015** to the Office of the Corporate Secretary at 3/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. Validation of proxies shall be held on March 26, 2015 at 9:00 a.m. at the Office of the Corporate Secretary. Thank you.

---

[1] *See next page for the explanation for each agenda item for stockholders' approval.*

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

Approval of minutes of previous meeting
The minutes of the meeting held on April 7, 2014 are available at the company website, www.ayalaland.com.ph. Copies of the minutes will also be distributed to the stockholders before the meeting.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Annual report
The financial statements as of December 31, 2014 (FS) will be presented for approval by the stockholders. Prior thereto, the Chairman, Mr. Fernando Zobel de Ayala, and the President and Chief Executive Officer, Mr. Bernard Vincent O. Dy, will deliver a report to the stockholders on the performance of the company in 2014 and the outlook for 2015. The FS will be embodied in the Information Statement to be sent to the stockholders at least 15 business days prior to the meeting.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Ratification of all acts and resolutions of the Board and management adopted during the preceding year
Ratification by the stockholders will be sought for all the acts and the resolutions of the Board of Directors, Executive Committee, and other board committees and all the acts of management of the company taken or adopted since the annual stockholders' meeting on April 7, 2014 until April 6, 2015. The acts and resolutions of the Board and its committees include approval of contracts and agreements, projects and investments, treasury matters and acts and resolutions covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of management were those taken to implement the resolutions of the Board or its committees or taken in the general conduct of business.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Election of directors (including the independent directors)
In accordance with the By-laws, the Manual of Corporate Governance and the SEC rules, any stockholder, including minority stockholders, may submit to the Nomination Committee nominations to the Board by February 18, 2015. The Nomination Committee, will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement and in the company website for examination by the stockholders.

Remarks: The directors are elected by plurality of votes using the cumulative voting method. The tally of votes will be reflected in the minutes of the meeting.

Election of external auditor and fixing of its remuneration
The Audit Committee will endorse to the stockholders the appointment of the external auditor, SyCip Gorres Velayo & Co., for the ensuing year as well as its proposed remuneration. The profile of the external auditor will be provided in the Information Statement and in the company website for examination by the stockholders.

Remarks: A resolution on this agenda item must be approved with the majority of the votes of the stockholders present and eligible to vote.

Consideration of such other business as may properly come before the meeting
The Chairman will open the floor for comments and questions by the stockholders. Stockholders may also propose to consider such other relevant matters or issues.

PROXY

The undersigned stockholder of **AYALA LAND, INC.** (the "Company") hereby appoints ______________________ or in his absence, the Chairman of the meeting, as *attorney-in-fact* and *proxy,* with power of substitution, to present and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company on April 6, 2015 and at any of the adjournments thereof for the purpose of acting on the following matters:

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

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

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

4. Election of Directors

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

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

6. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting.
   ❑ Yes ❑ No

____
PRINTED NAME OF STOCKHOLDER

____
SIGNATURE OF STOCKHOLDER/AUTHORIZED SIGNATORY

____
DATE

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **MARCH 24, 2015**, THE DEADLINE FOR SUBMISSION OF PROXIES.

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

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

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

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

1. **Check the appropriate box:**

   _____ Preliminary Information Sheet
   __✔__ Definitive Information Sheet

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

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

4. **SEC Identification Number:** 152747

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

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

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

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

Date	-	April 6, 2015
Time	-	9:00 A.M.
Place	-	Ballroom 2, Fairmont Makati 1 Raffles Drive, Makati Avenue Makati City

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

   March 12, 2015

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

   a. **Shares of Stock**

Class	Number of Shares
Common Shares	14,675,337,138

   b. **Debt Securities**

   Bonds – PhP 46.97 Billion

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

   __✔__ Yes _____ No

   14,054,466,426 common shares are listed with the Philippine Stock Exchange ("PSE").

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

a.

Date	-	April 6, 2015
Time	-	9:00 A.M.
Place	-	Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Avenue Makati City
Principal Office	-	31st Floor, Tower One and Exchange Plaza Ayala Triangle, Ayala Avenue Makati City 1226

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

March 12, 2015

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

Item 2. Dissenter's Right of Appraisal

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. **Number of Shares Outstanding as of January 31, 2015**: 14,675,337,138 Common Shares

13,066,494,759 Voting Preferred Shares

Number of Votes Entitled: one (1) vote per share

b. All stockholders of record as of February 5, 2015 are entitled to notice and to vote at the annual stockholders' meeting.

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

c. **Manner of Voting**

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

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

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

i. Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 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[2] 34/F, Tower One Ayala Triangle Ayala Ave., Makati City	Ayala Corporation[3]	Filipino	6,934,509,515	24.99658%
Preferred				12,163,180,640	43.84419%
Common	PCD Nominee Corporation (Non-Filipino)[4] G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers[5]	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[6]	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%

[2] Ayala Corporation ("AC") is the parent of the Company.
[3] Under the By-laws and the Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.
[4] PCD is not related to the Company.
[5] 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 stock is 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.
[6] 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.

ii. 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	2,418,064 (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%
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	2,212,841 (direct & indirect)	Filipino	0.00798%
Preferred		1,977,234 (direct)		0.00713%
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 Victoria 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		**101,762,733**		**0.36682%**

** 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.

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

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

iv. **Changes in Control**

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

Item 5. Directors and Executive Officers

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

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

The record of attendance of the directors at the meetings of the Board of Directors (the "Board") held in 2014 is as follows:

Directors	No. of Meetings Attended/Held[7]	Percent Present
Fernando Zobel de Ayala	6/7	86%
Antonino T. Aquino	7/7	100%
Bernard Vincent O. Dy[8]	5/5	100%
Jaime Augusto Zobel de Ayala	5/7	71%
Mercedita S. Nolledo[7]	2/2	100%
Delfin L. Lazaro	6/7	86%
Vincent Y. Tan[7]	5/5	100%
Aurelio R. Montinola III[7]	2/2	100%
Oscar S. Reyes[7]	2/2	100%
Francis G. Estrada	7/7	100%
Jaime C. Laya	6/7	86%
Rizalina G. Mantaring[7]	5/5	100%

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

[7] In 2014 and during the incumbency of the director.
[8] Ms. Nolledo and Messrs. Montinola and Reyes were replaced by Ms. Mantaring and Messrs. Dy and Tan on April 7, 2014.

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

i. **Directors and Executive Officers**

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

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

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

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

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

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

ii. **Significant Employees**

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

iii. **Family Relationships**

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

iv. **Involvement in Certain Legal Proceedings**

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

As of end-2014 the Company is not involved in any litigation it considers material. In any event, below are the legal proceedings involving the Company that may be significant.

Las Piñas Property

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

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

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

b. Certain Relationships and Related Transactions

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

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

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

c. Ownership Structure and Parent Company

As of January 31, 2015, Ayala Corporation owns 68.84% of the total outstanding voting shares of the Company.

d. Resignation of Directors

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

Item 6. Compensation of Directors and Executive Officers

a. **Executive Compensation**

The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to ₱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 options).

b. **Compensation of Directors**

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

> "Section 17 – Each director of the Corporation shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as director. The Board of Directors shall have the sole authority to determine the amount, form, and structure of the fees and other compensation of directors. In no case shall the total yearly compensation of directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.
>
> The compensation and remuneration committee of the Board of Directors shall have the responsibility for recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay directors for work required in a company of the Corporation's size and scope." (As amended on April 13, 2011.)

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

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

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

ii. **Other Arrangement**

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

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

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

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

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

Since 1998, the Company has offered its officers options to acquire common shares under its executive stock option plan (ESOP). 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*
***Managers and up*

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

Item 7. Independent Public Accountants

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

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

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

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

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

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

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

	Audit & Audit-related Fees	Tax Fees	Other Fees
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.*

e. **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.

Item 8. Compensation Plans

There are no matters or actions to be taken up in the meeting with respect to any compensation plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

There are no matters or actions to be taken up with respect to authorization or issuance of securities.

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2014, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "B". The Schedules required under Part IV(c) of Rule 68 will be included in the Annual Report (SEC Form 17-A).

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

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

As used herein and in other sections of this Information Statement, unless the context otherwise requires, the Group refers to the Company and its subsidiaries where the Company has a control pursuant to SRC Rule 68, Par. 6s (Consolidated Financial Statements).

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2014. The Group will also adopt several amended and revised standards and interpretations in 2015 and onwards.

Please refer to Note 2 of the attached Company's audited financial statements on the Summary of Significant Accounting Policies for the accounting of the new PFRS and IFRIC which became effective in 2014 and new PFRS and IFRIC that will be effective in 2015 and onwards.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

a. Approval of the Minutes of the 2014 annual meeting of stockholders held on April 7, 2014 covering the following matters:

   i) Annual report;
   ii) Ratification and approval of all resolutions of the Board and the Executive Committee, and all acts of the Management after the annual stockholders' meeting on April 17, 2013 until the annual stockholders' meeting on April 7, 2014;
   iii) Approval of amendments of the Articles of Incorporation:
      a) In Article Seventh, exempting from pre-emptive right (i) the issuance of one billion common shares for acquisitions or debt payments, and (2) the issuance of common shares covered by stock options granted to members of Management Committees of subsidiaries or affiliates; and
      b) In Article Third, stating the specific principal office address of the Corporation;
   iv) Amendment of the Stock Opion Plan to include members of the Management Committees of subsidiaries and affiliates as eligible grantees of stock options;
   v) Election of the members of the Board, including the Independent Directors, and
   vi) Election of the external auditor and fixing of its remuneration.

b. Approval of the annual report of the Management for the year ending December 31, 2014, including the 2014 audited financial statements.

Item 16. Matters not required to be Submitted

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

Item 17. Amendment of Charter

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

Item 18. Other Proposed Action

a. Ratification of all resolutions of the Board and the Executive Committee, as well as the acts of the Management to implement the resolutions after the annual stockholders' meeting on April 7, 2014 until the annual stockholders' meeting on April 6, 2015.

   The resolutions of the Board and the Executive Committee involve –

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

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

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

Item 19. Voting Procedures

a. **Vote required**: The affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders' meeting is required for the approval of the matters presented to the stockholders for decision. The election of directors is by plurality of votes.

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

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

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

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the day of 12th day of March 2015.

AYALA LAND, INC.

by: SOLOMON M. HERMOSURA
Corporate Secretary and
General Counsel

ANNEX "A"
DIRECTORS AND KEY OFFICERS
(as of December 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	

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 two other 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, Ayala 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 1957 with 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 April 1996. 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 (Philpppines) 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	Vice President
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 Janduary 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 Masters degree in economics from London School of Economics and Political Science UK 1991 and MBA at Harvard Graduate School of Business Administration in 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 and is 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, 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, 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 2008 and 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 January 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.

Maria 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.

ANNEX "B"

I. MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) 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 that the reported net income 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 31%in 2014 from 28% 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 48% 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 P13.14 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 46% year-on-year in 2014 to P4.72 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 P66.3 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 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 majority-owned subsidiaries:

	End-December 2014	*End-December 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]	14.4%	13.0%
Asset to Equity ratio [6]	3.19	2.90
Interest Rate Coverage Ratio [7]	5.7	6.5

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

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2014.

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

1702% 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

Risks

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

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

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

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

Shopping Center, Office Space and Land Rental

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

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

Hotel and Resort Operations

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

Construction

Ayala Land's construction business is benefiting from the improved performance of the construction industry, particularly from an uptick in development activities mostly from the residential and retail sectors. Any slowdown in the construction business could potentially cap growth of the Company's construction arm.
Other risks that the company may be exposed to are the following:

- Changes in Philippine and international interest rates
- Changes in the value of the Peso
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions
- Changes in the country’s liquidity and credit exposures

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

Review of 2013 operations vs. 2012

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 P2.43 billion, respectively. Avida's performance was anchored on strong bookings from the success of new projects such as Avida 34th Street Tower 2 and Avida Cityflex Tower 2 in Bonifacio Global City, Madera Grove Estates in Bulacan, Avida Woodhill Settings in Nuvali, Avida Towers Vita in Quezon City, Avida Centera Towers 3 and 4 in Mandaluyong and Avida Riala Towers 1 and 2 in Cebu, as well as increased sales in existing projects such as Avida Parkway Settings, Avida Ridgeview Estates and Avida Village Cerise in Nuvali, Avida San Lorenzo Tower 2 in Makati and Avida Prime Taft Tower 1 in Pasay. Amaia revenues was boosted by sales from recent launches namely Amaia Steps Sucat, Amaia Skies Avenida, Amaia Steps Bicutan, Amaia Steps Nuvali, Amaia Steps Cavite, Amaia Steps Lucena and Amaia Steps Bauan. BellaVita, coming from a low base on its first year of operations, saw revenues increase by 308% to P63.93 million, mainly due to revenues generated from its General Trias and Alaminos projects.

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

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

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

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

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

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

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

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

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

Expenses

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

Project and Capital Expenditure

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

Financial Condition

The Company's balance sheet remains strong with sufficient capacity to carry out its aggressive growth plans in 2014 and beyond. Cash and Cash Equivalents stood at P40.76 billion, resulting in a Current Ratio of 1.45: 1. Total Borrowings stood at P101.90 billion from Php74.78 billion as of December last year, translating to a Debt-to-Equity Ratio of 1.04:1 and a Net Debt-to-Equity Ratio of 0.62:1. Return on equity was maintained at 13% in 2013.

Key Financial Performance Indicators

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

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

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

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

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

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

Income Statement items – 2013 versus 2012

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

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

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

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

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

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

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

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

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

Balance Sheet items – 2013 versus 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks

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

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

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

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

Shopping Center, Office Space and Land Rental

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

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

Hotel and Resort Operations

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

Construction

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

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

- Changes in Philippine and international interest rates
- Changes in the value of the Peso
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions
- Changes in the country’s liquidity and credit exposures

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

Review of 2012 operations vs. 2011

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 Php54.52 billion, 23% higher year-on-year. Revenues from Real Estate, which comprised the bulk of consolidated revenues, increased by 21% to Php49.90 billion primarily driven by the robust performance of the Property Development business.

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

Business Segments

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

Property Development. Property Development, which includes the sale of residential units, commercial and industrial lots, registered revenues of 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 48% to Php1.33 billion in 2012 from Php899 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 58% to Php3.29 billion in 2012 compared with the Php2.08 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 Php41.30 billion in 2012, 23% more than the Php33.50 billion incurred in 2011. Cost of Sales from Real Estate, which accounted for the bulk of expenses, rose 20% year-on-year to Php33.44 billion. GAE meanwhile grew by 28% to Php4.44 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 65% year-on year to Php3.42 billion, mostly due to higher financing charges related to the sale of receivables and additional borrowings. While total financing charges increased, the average cost of the Company's consolidated debt decreased to 5.4%, from 6.3% in 2011.

Project and Capital Expenditure

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

Financial Condition

The Company's balance sheet remained strong with sufficient capacity to carry out its aggressive growth plans in the following years. Strong cash inflows from the successful pre-sales of various residential launches as well as proceeds from the Php3.0 billion notes and Php15.0 billion bonds, as well as the Php1.0 billion Homestarter Bond issued in 2012 brought Cash and Cash Equivalents to Php28.60 billion. Current Ratio stood at 1.40: 1, with total borrowings at

Php69.45 billion as of December 2012. Debt-to-Equity Ratio was at 0.84: 1 while Net Debt-to-Equity Ratio increased to 0.49: 1. Return on equity increased one-percentage point year-on-year to 13% in 2012.

Key Financial Performance Indicators

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

	End-December 2012	*End-December 2011*
Current ratio [1]	1.40:1	1.65:1
Debt-to-equity ratio [2]	0.84:1	0.55:1
Net debt-to-equity ratio [3]	0.49:1	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]	2.81:1	2.48:1
Interest Rate Coverage Ratio [7]	6.82	7.08

[1] Current assets / current liabilities
[2] Total debt/ stockholders' equity attributable to parent (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
[3] Net debt/ stockholders' equity attributable to parent (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
[4] Total Net income attributable to equity holders of ALI / average total assets
[5] Net income attributable to equity holders of ALI / average total stockholders' equity
[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.

64% increase in interest and investment income
Mainly due to one-off remeasurement gain of previously held equity interest in ALI Makati Hotels & Residences Inc. (AMHRI) and ALI Makati Hotel Property Inc. (AMHPI) and higher interest income.

48% increase in equity in net earnings of associates and jointly controlled entities
Largely due to higher contribution from BG North Inc., BG West Inc. and BG South Inc.

34% increase in other income
Mainly due to higher development management fees and foreign exchange gains.

20% increase in real estate costs and expenses
Mainly due to higher real estate revenues and consolidation of AMHRI and AMHPI.

28% increase in general and administrative expenses
Primarily due to higher payroll costs and start up costs for new hotels.

68% increase in interest expense and other financing charges
Mainly due to higher debt levels.

87% increase in other charges
Largely due to provisions for impairment.

10% increase in provision for income tax
Mainly due to higher taxable income for the period.

36% increase in net income attributable to noncontrolling interests
Primarily due to higher income from NUVALI companies.

Balance Sheet items – 2012 versus 2011

16% increase in cash and cash equivalents
Mainly proceeds from the issuance of new common shares and fixed rate bonds, sale of account receivables, increased collections and loan availments.

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

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

58% increase in accounts and notes receivables (net)
Largely due to launch of new projects and higher bookings.

10% increase in real estate inventories
Mainly due to incremental project completion of existing and new projects.

96% increase in other current assets
Mainly due to prepayments on Alveo and Avida land acquisitions.

42% increase in non-current accounts and notes receivables
Largely due to increased sales of Ayala Land Premier, Avida and higher bookings of Alveo projects.

36% decrease in available-for-sale financial assets
Largely due to sale of fixed income securities of ALI-Parent.

155% increase in land and improvements
Mainly due to acquisition of Food Terminal Inc. property.

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

207% increase in property and equipment
Mainly due to acquisition of AMHRI & AMHPI.

39% increase in other noncurrent assets
Mainly due to exploratory expenses and goodwill on hotel acquisition.

36% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of existing and new projects

100% increase in short-term debt
Mainly due to new loan availment of ALI-Parent, Alveo, Avida and ALI Property Partners Corporation (APPCO).

297% increase in income tax payable
Largely due to higher taxable income

310% increase in current portion of long-term debt
Primarily due to ALI-Parent bond payables.

268% increase in other current liabilities
Mainly due to increase in customer deposits.

90% increase in long-term debt – net of current portion
Mainly due to new issuance of fixed rate bonds and higher interest expense.

27% decrease in pension liabilities
Primarily due to higher contribution of companies with net liability position.

65% increase in deposits and other 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

5% decrease in noncontrolling interests in net assets of subsidiaries
Largely attributed to redemption of shares for APPCO, Accendo and AHI.

Risks

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

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

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

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

Shopping Center, Office Space and Land Rental

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

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

Hotel and Resort Operations

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

Construction

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

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

- Changes in Philippine and international interest rates
- Changes in the value of the Peso
- Changes in construction material and labor costs, power rates and other costs
- Changes in laws and regulations that apply to the Philippine real estate industry
- Changes in the country's political and economic conditions
- Changes in the country’s liquidity and credit exposures

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

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

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

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

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

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

Philippine Stock Exchange
Prices (in PhP/share)

	High		Low		Close	
	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 ₱478.22 billion.

The price information as of the close of the latest practicable trading date February 13, 2015 is ₱35.40 per share.

B) *Holders*

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%

C) *Dividends*

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

CASH DIVIDEND (Per 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.

D) *Recent Sale of Securities*

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

Year	No. of Shares	
	ESOP (exercised)	ESOWN (subscribed)
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 of the shares 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."

E) *Corporate Governance*

i. The evaluation system which was established to measure or determine the level of compliance of the Board and top level management with its Revised Manual of Corporate Governance consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the 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 Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.

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

ANNEX "C"

NATURE AND SCOPE OF BUSINESS

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

Property Development

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

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

Commercial Leasing

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

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

Hotels and Resorts

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

Resorts - development, operation and management of eco-resorts

Services

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

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

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

AyalaLand

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Land, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 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

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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.

SGV
Building a better working world

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 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

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency and all values are rounded to the nearest thousand (₱000), except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as 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.
- 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 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 ₱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 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 ₱104.2 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 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 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 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.

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 the 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 non-current 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 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 "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.

<u>Deposits and Retentions 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 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.

<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 rights to receive cash flows from the asset have expired;

b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
c. the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor is transferred control of the asset, the asset recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability
A financial liability is derecognized when the obligation under the liability has expired, or is discharged or has cancelled. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income under “Other charges” account.

Interest income continues to be recognized based on the original effective interest rate of the asset. Receivable, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any difference between loss estimates and actual loss experience.

Financial asset carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income in the "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Interest and investment income" account in the consolidated statement of income. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset

the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories
Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:
- Land cost
- Land improvement cost
- Amounts paid to contractors for construction and development
- Planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

The cost of inventory recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property and 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 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. Deposit 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 it is subject to 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.

Construction in progress are carried at cost (including borrowing cost) and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

Depreciation of investment properties are computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties follow:

	Years
Land improvements	8-40
Buildings	20-40

Investment properties are derecognized when either they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Property and Equipment
Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization of property and equipment commences once the property and equipment are available for use and are computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Years
Buildings and improvements	20-40
Machinery and construction equipment	5
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Hotel property and equipment	20-50

The assets' residual values, estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the amounts, periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized 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.

<u>Provisions</u>
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.

<u>Pension Cost</u>
Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes a) service costs comprising current service costs, past-service costs b) gains and losses on curtailments and non-routine settlements, and c) net interest cost on benefit obligation.

Remeasurements, comprising of actuarial gains or losses, the effect of the asset ceiling, excluding net interest cost and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by using risk-free interest rates of long-term government bonds that have terms to maturity approximating the terms of the related pension liabilities or applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

Share-based Payments
The Group has equity-settled, share-based compensation plans with its employees.

PFRS 2 Options
For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 28.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instrument that will ultimately vest. The income or expense for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Pre-PFRS 2 Options
For options granted before November 7, 2002 that has vested before January 1, 2005, the intrinsic value of stock options determined as of grant date is recognized as expense over the vesting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 27).

Employee Stock Ownership Plan
The Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Company's shares at a discounted price. The Company recognizes stock compensation expense over the holding period. The Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on

awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity
When the shares are sold at premium, the difference between the proceeds at the par value is credited to “Additional paid-in capital” account. Direct costs incurred related to equity issuance are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscriptions receivable pertains to the uncollected portion of the subscribed shares.

Retained earnings represent accumulated earnings of the Group less dividends declared.

Equity reserves pertain to gain or loss resulting from increase or decrease of ownership without loss of control.

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue and Cost Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer’s commitment to pay, which in turn is supported by substantial initial and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectibility is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the “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 as from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Group as lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

Group as lessor
Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period.

Deferred Tax
Deferred tax is provided, using the liability method, on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Foreign Currency Transactions
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rate prevailing at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the year.

Investments in foreign associates are translated to Philippine Peso using the closing exchange rate prevailing at reporting date. The Group's share in the results of operations of the foreign investee is translated using the exchange rate at the dates of the transactions or, where practicable, the rate that approximates the exchange rates at the dates of the transactions, such as the average rate for the period. Any resulting exchange difference is recognized as a separate component of equity.

Earnings Per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to common equity holders of the 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.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating lease commitments - Group as lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of the properties as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers among others, the significance of the penalty, including the economic consequence to the lessee.

Operating lease commitments - Group as lessee
The Group has entered into lease contracts with various parties to develop commercial or retail properties. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor.

Classification of a property
The Group determines whether a property is classified as investment property or inventory 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% equity interest. The remaining 36.18% of the equity shares in NTDCC 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).

<u>Management's Use of Estimates</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue and cost recognition
The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's

revenue from real estate and construction contracts recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. See Notes 21 and 22 for the related balances.

Estimating allowance for impairment losses
The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expenses for any period would differ depending on the judgments and estimates made for the year. See Note 7 for the related balances.

Evaluation of net realizable value of real estate inventories
The Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. See Note 8 for the related balances.

Evaluation of asset impairment
The Group reviews its 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 follow:

	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 the 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 the 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 an 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 non-interest 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 the 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 the 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 tax	**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

	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)
			(In Thousands)		
Shares of stock:					
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

	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)
			(In Thousands)		
Shares of stock:					
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
Non-current assets	**20,183,121**	21,013,477
Current liabilities	**4,785,573**	4,895,150
Non-current 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.

Investment in AMHRI

In December 2007, the Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprised of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences.

The 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.

Investment in SIAL Specialty

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.

Investment in SIAL CVS

SIAL CVS is an equally-owned joint venture between Varejo, the Company’s wholly owned subsidiary and SII, SSI’s wholly owned subsidiary.

SIAL CVS shall be the vehicle for the investment in the operation of convenience stores in the Philippines. SIAL CVS capitalizes on the Company’s expertise in mixed-use developments and SSI’s experience in the Philippine retail market. The Parties agreed to incorporate a special purpose vehicle that shall form a partnership with FamilyMart Co. Ltd. and Itochu Corporation for the operation of FamilyMart convenience stores in the Philippines.

Investment in AyaGold Retailers, Inc.

AyaGold Retailers, Inc., a joint venture between Entenso Equities Incorporated (EEI, a wholly owned subsidiary of Puregold Price Club, Inc.) and Varejo Corp. (a wholly owned subsidiary of the Company and the holding company for its retail-related initiatives), was incorporated in October 2, 2013. It is organized primarily to finance, build and operate mid-market supermarkets for some of Company’s new integrated and mixed-use developments. The mid-market supermarkets will be carried under a new brand to be jointly developed by both Varejo and EEI. The partnership with EEI will enable the Company to support its mixed-use developments and, at the same time, grow its recurring income portfolio.

Investment in MGHI
In July 2013, Ayala Land, Inc. entered into an agreement with the Mercado Family to acquire Whiteknight Holdings, Inc. (WHI), a 33% equity stockholder of MGHI. Its acquisition of WHI will allow Ayala Land, Inc. to build a strategic partnership with the Mercado Group and support MGHI's future growth. This partnership also enhances the potential of Ayala Land's development of mixed-use communities by offering the critical component of medical services to complement the residential, shopping centers, office and hotel developments therein.

Investment in Rize-Ayalaland
Rize-Ayalaland (Kingsway) GP, Inc. was incorporated on January 25, 2013 under the laws of British Columbia, Canada. The Company's effective ownership is 49% through its Vancouver-based subsidiary, AyalaLand Real Estate Investments Inc.

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 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. On April 11, 2014, ALI's 50% equity was further broken down to 35% ALI, 5% each for CHI and 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 ₱248,439.8 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 ranges of annual interest rates of the short-term debt follow:

	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 cost to be incurred for future development.

Retentions payable pertains to the amount withheld by the Company on contractor's billings to be released after the guarantee period, usually one year after the completion of the project. The retention serves as a security from the contractor should there be defects in the project.

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 Corporation or for cash to acquire properties or assets needed for the business of the Corporation or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Corporation's Stock Option Plans for members of the management committees of the Corporation's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Corporation to include the members of the Management Committees of the Corporation'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 Corporation's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On March 6, 2013, the Company's Board resolved to approve the placement made by AC of its existing 320,000,000 listed common shares of the Company to certain qualified third party buyers or investors at ₱30.50 per share. The Company completed the top-up placement, raising an aggregate of ₱12.2 billion in paid up capital. The price was at 3.6% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱162.4 million.

On July 10, 2012, the Company's executive committee approved the placement of 680 million listed common shares of stock with par value of ₱1.00 per share, at a price of ₱20 per share, and the issuance of equal number of new shares of the Company, at the same price of ₱20 per share, with AC as the seller of the placement tranche and subscriber of the subscription tranche. The Company completed the top-up placement, raising an aggregate of ₱13.6 billion in paid up capital. The price was at 4.988% discount to the closing price. Transaction cost charged to additional paid-in capital amounted to ₱200.0 million.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On July 5, 1991, the Company launched its Initial Public Offering where a total of 400.00 million common shares were offered at an offering price of ₱26 per share. The registration statement was approved on July 20, 1992. The Company has 9,927 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)

f) 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.

g) 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.

h) Southfield Settings by Avida in Nuvali with 419 residential lots was approved in August 28, 2014.

i) 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.

j) The Alcoves, a mixed-use ALP condominium project in Cebu with a total of 480 units was approved on November 25, 2014.

k) 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% 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 liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Group's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The 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.

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, ₱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 follow:

	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 follow:

	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**	₱318,661
Allowance for probable losses	**71,020**	51,595
NOLCO	**42,006**	–
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 ₱378.6 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 ₱224.1 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. 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 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 ₱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 follow:

	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 (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 (gain)/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, 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 allocations of the fair value of plan assets follow:

	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 ₱5.05 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 if 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 10^{th} year from the issue date which was in 2012.

28. **Stock Options and Ownership Plans**

The Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (ESOWN) covering 2.5% of the Company's authorized capital stock. The grantee is selected based on certain criteria like outstanding performance over a three-year period.

The ESOP grantees may exercise in whole or in part the vested allocation in accordance with the vesting percentage and vesting schedule stated in the ESOP. Also, the grantee must be an employee of the Company or any of its subsidiaries during the 10-year option period. In case the grantee retires, he is given 3 years to exercise his vested and unvested options. In case the grantee resigns, he is given 90 days to exercise his vested options.

ESOP
Movements in the number of stock options outstanding under ESOP are as follows:

Pre-PFRS 2 Options

	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 follow:

- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate businesses - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Residential developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture
- Strategic landbank management and Visayas-Mindanao - acquisition, development and sale of large-scale, mixed-use, masterplanned communities; sale of override units or the Company's share in properties made available to subsidiaries for development; lease of gas station sites and carparks outside Ayala Center. This also includes development, sale and lease, shopping centers and residential developments of the Group's product offerings in key cities in the Visayas and Mindanao regions
- Construction - land development and construction of the Group and third-party projects
- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Property management - facilities management of the Group and third-party projects
- Others - other income from investment activities and sale of non-core assets

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.

Business segments
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the 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 follow:

	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 follow:

	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, Ayala Land Inc. 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

Commitments

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 and 2010 (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.

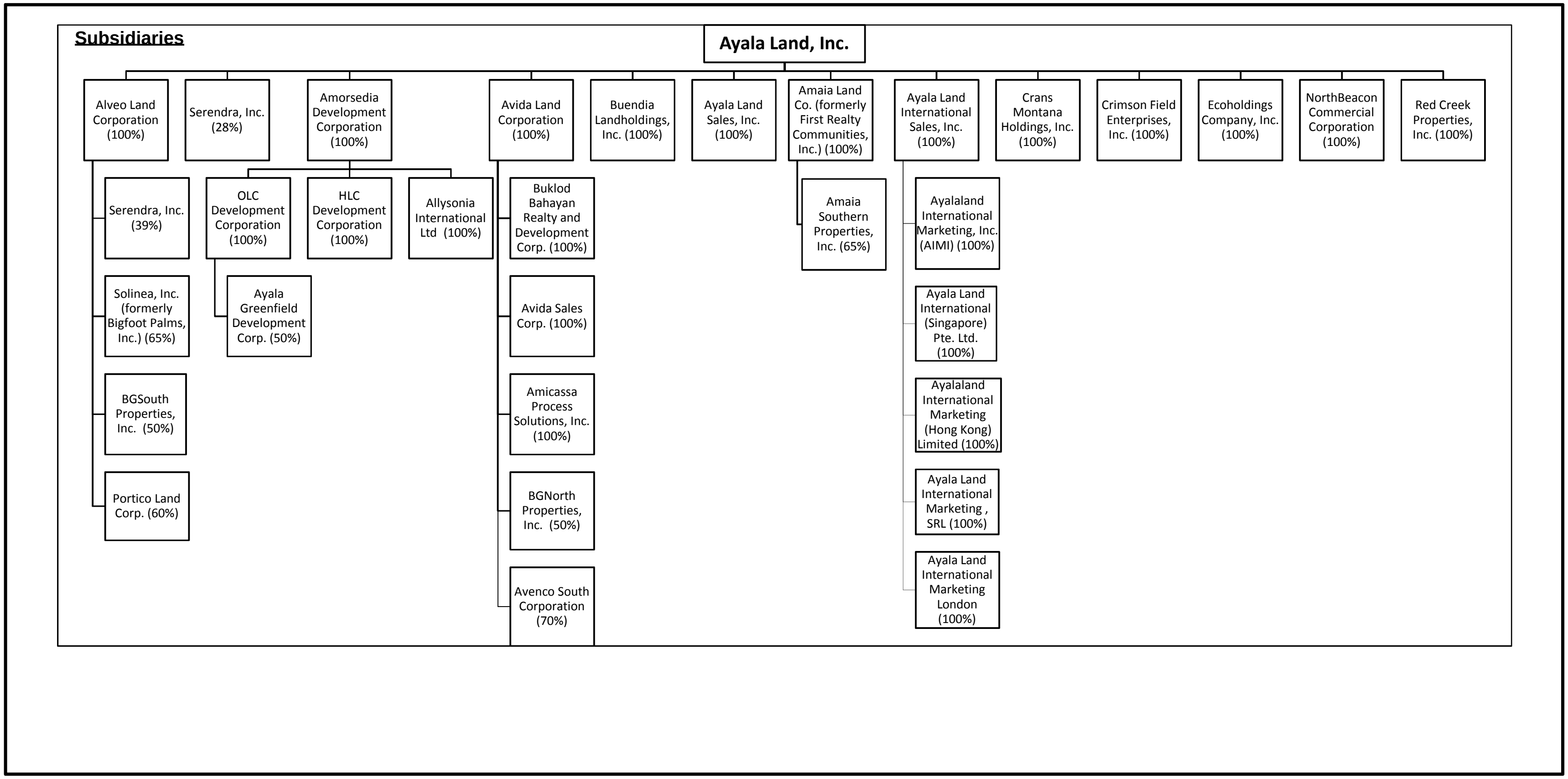
In February 2015, the Company purchased the remaining non-controlling interest of the following:
- Anglo Philippine Holdings Corporation in NTDCC comprising of 382,072 common shares and 1,605,169 preferred shares for ₱523.0 million; and
- Remaining interest of Allante Realty and Development Corporation and DBH, Inc. consisting of 167,548 common shares and 703,904 preferred shares for ₱229.0 million.

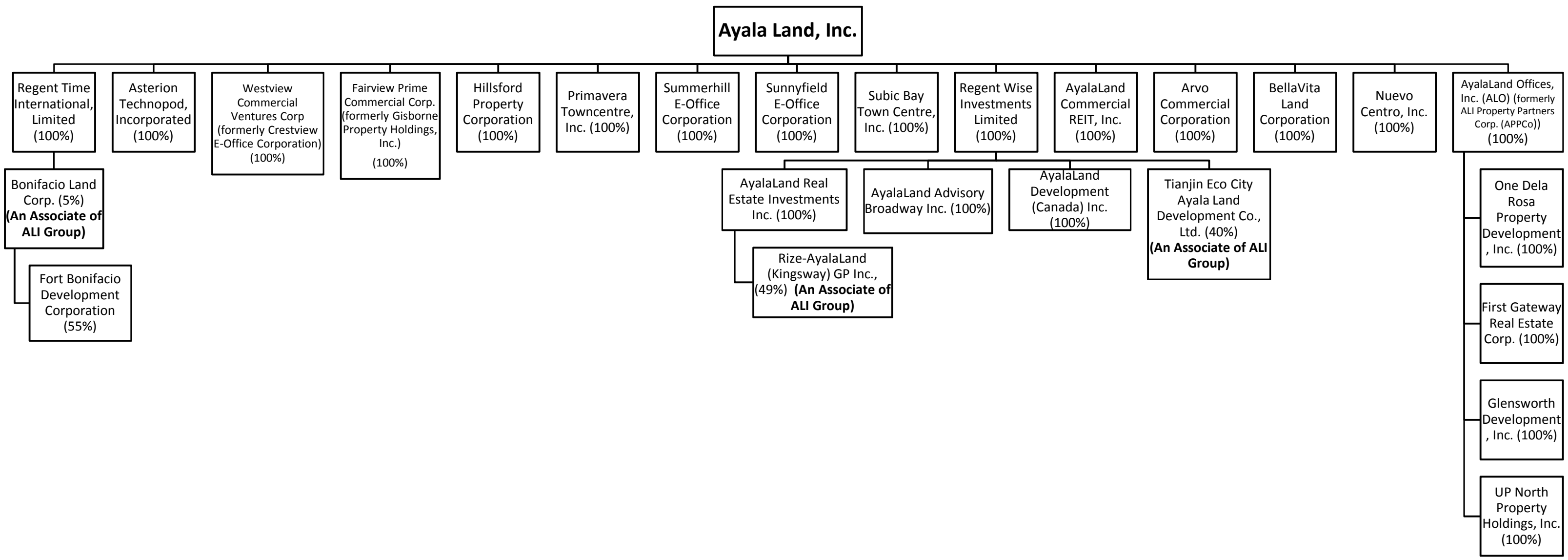
This brings the Company's ownership in NTDCC from 63.82% to 73.24% of the total outstanding capital stock of NTDCC, which owns and operates the Trinoma Commercial Centre in North Triangle, Quezon City.

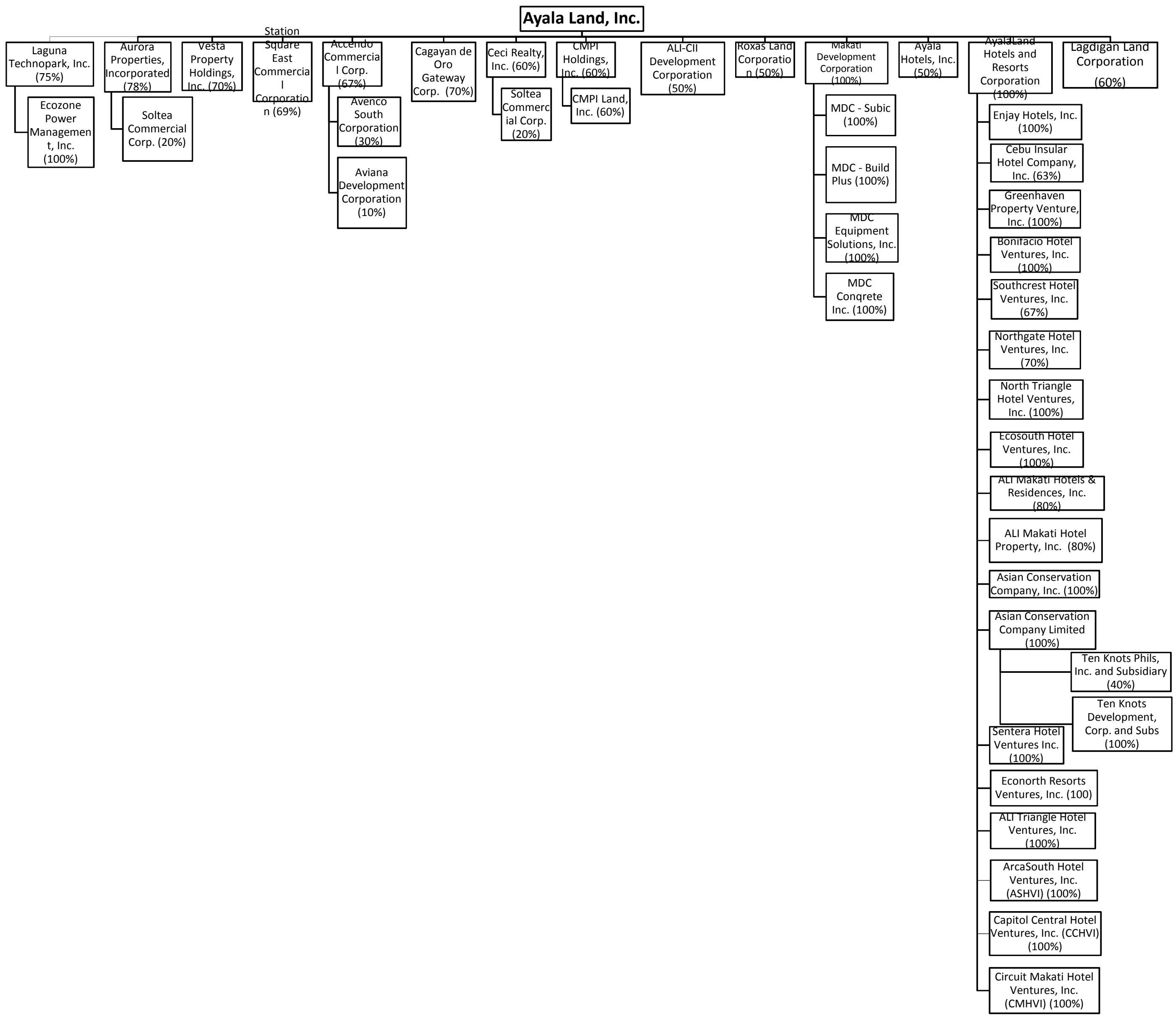
On February 20, 2015, the BOD approved the declaration of cash dividends amounting to ₱0.2075 per outstanding common share. These will be paid out on March 20, 2015 to shareholders on record as of March 6, 2015.

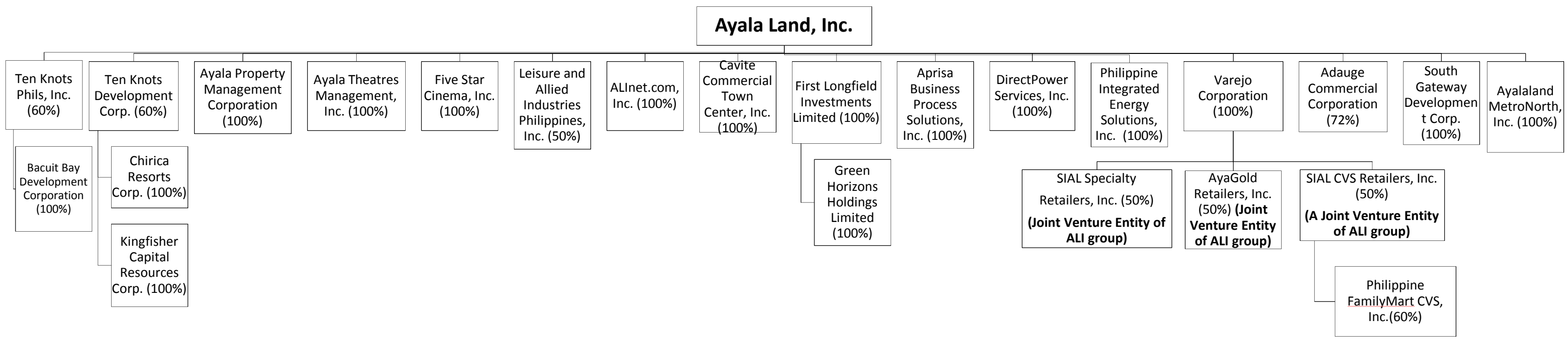
Further, on the same date, the BOD also declared annual cash dividends of 4.74786% per year or ₱0.00474786 per share to all shareholders of the Company's unlisted voting preferred shares. These will be paid out on June 29, 2015 to shareholders on record as of June 15, 2015.

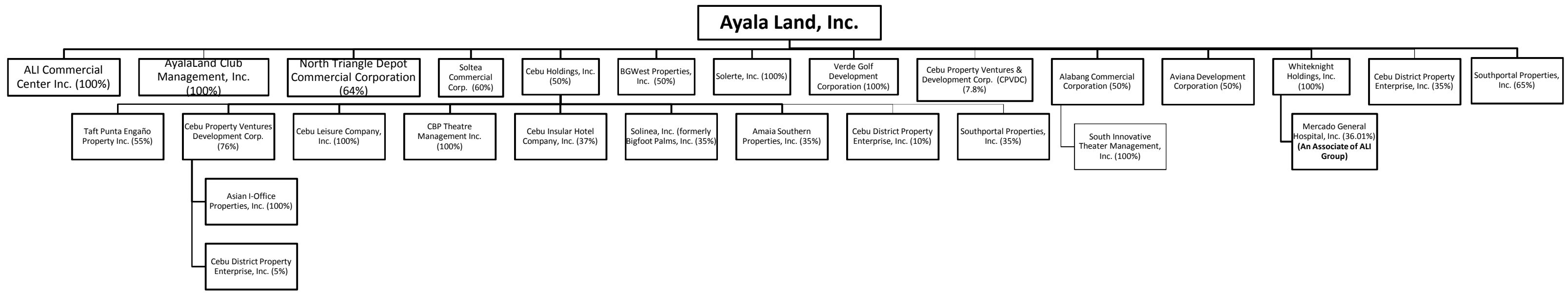
AYALA CORPORATION AND SUBSIDIARIES
SCHEDULE J - CORPORATE ORGANIZATIONAL CHART
As of December 31, 2014




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%)
AyalaLand Advisory Broadway Inc. (100%)
AyalaLand Development (Canada) Inc. (100%)
Tianjin Eco City Ayala Land Development Co., Ltd. (40%) **(An Associate of ALI Group)**
Rize-AyalaLand (Kingsway) GP Inc., (49%) **(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%)

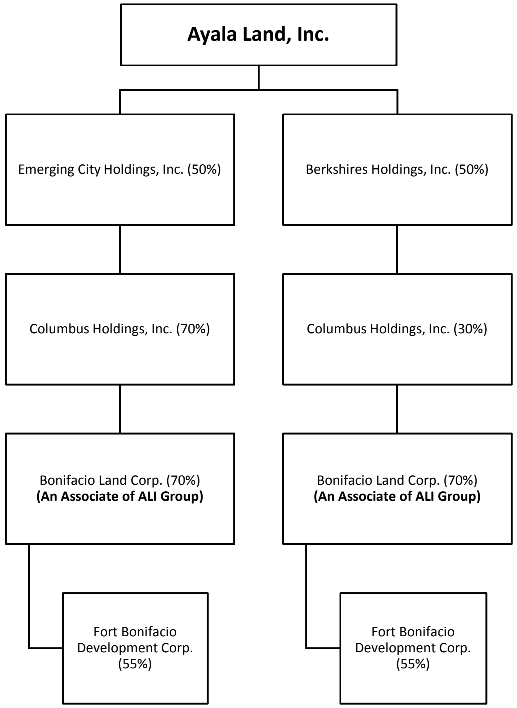

Ayala Land, Inc.
Laguna Technopark, Inc. (75%)
Ecozone Power Management, Inc. (100%)
Aurora Properties, Incorporated (78%)
Soltea Commercial Corp. (20%)
Vesta Property Holdings, Inc. (70%)
Station Square East Commercial Corporation (69%)
Accendo Commercial Corp. (67%)
Avenco South Corporation (30%)
Aviana 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 (100%)
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%)

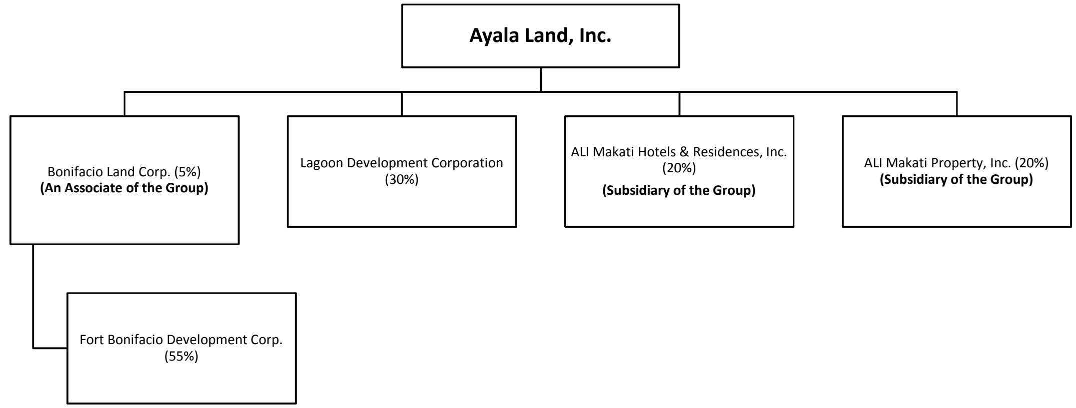


Ayala Land, Inc.
ALI Commercial Center Inc. (100%)
AyalaLand Club Management, Inc. (100%)
North Triangle Depot Commercial Corporation (64%)
Soltea Commercial Corp. (60%)
Cebu Holdings, Inc. (50%)
BGWest Properties, Inc. (50%)
Solerte, Inc. (100%)
Verde Golf Development Corporation (100%)
Cebu Property Ventures & Development Corp. (CPVDC) (7.8%)
Alabang Commercial Corporation (50%)
Aviana Development Corporation (50%)
Whiteknight Holdings, Inc. (100%)
Cebu District Property Enterprise, Inc. (35%)
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	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 final version)	Not early adopted		
	Financial Instruments (2014 or final version)*			✓
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*			✓
	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 and PAS 28: 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: Investment Entities	Not early adopted		
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**			✓
Philippine Accounting Standards				

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	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 and PAS 41: 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	✓		
	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	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Personnel			
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendment to PAS 27: Equity Method in Separate Financial Statement	Not early adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10 and 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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Accounting of Forecast Intragroup Transactions			
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	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 16 and 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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS **Effective as of December 31, 2014**		Adopted	Not Adopted	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
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-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

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

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**	**25,905,288,217**
Less adjustments:		
Treasury shares		
Deferred tax assets		(1,757,064,676)
Fair Value adjustment		(593,852,588)
Unappropriated Retained Earnings, as adjusted, beginning		**23,554,370,953**
Net Income based on the face of AFS	Php	9,653,910,404
Less: Non-actual/unrealized income net of tax		
Amount of provision for deferred tax during the year		160,524,349
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**	**9,814,434,753**
Less: Other adjustments		
Dividend declarations during the period		(5,933,091,821)
Effects of prior period adjustments		
Reversal of Treasury shares		
		3,881,342,932
Unappropriated Retained Earnings, as adjusted, ending		**27,435,713,885**

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE L - FINANCIAL RATIOS
December 31, 2014

Current / liquidity ratios

	2014	2013
	(Amounts inThousands)	
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**

Solvency/ debt-to-equity ratios

	2014	2013
	(Amounts inThousands)	
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, net of investment in Arch Capital Fund	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**

Asset to equity ratios

	2014	2013
	(Amounts inThousands)	
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**

Interest rate coverage ratio

	2014	2013
	(Amounts inThousands)	
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 attributable to equity holder of Ayala Land Inc.	14,802,642	11,741,764
Total Equity-CY	106,939,836	98,469,775
Total Equity-PY	98,469,775	82,315,209
Average total equity attributable to equity holder of Ayala Land Inc.	102,704,806	90,392,492
Return on Equity	**14.4%**	**13.0%**

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.