Let’s build sustainable communities

2014 Annual Report

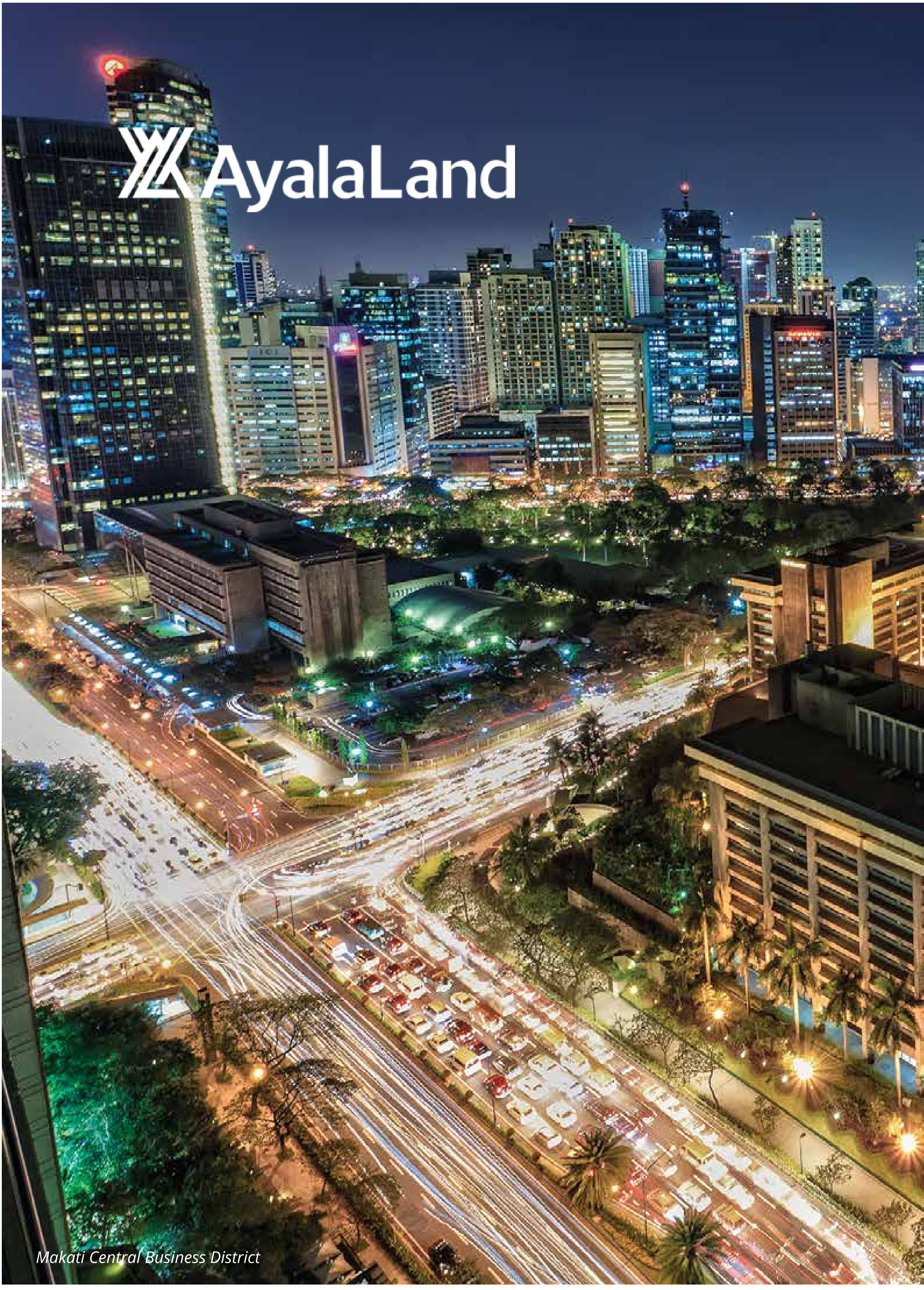
AyalaLand


ALVIERA

Together, we bring these communities to life.

Inspired by the bold passions and aspirations of the Filipino, Ayala Land aims to build sustainable communities with products and services that best enable the Filipino to succeed. Through deep consumer insights, we constantly seek to improve our living, working, and leisure environments to create value that lasts through generations.

This is the theme of our 2014 report—an invitation to the public to join Ayala Land in elevating the quality of life for the Filipino. Together, we can enrich more lives and help build a stronger nation.



Makati Central Business District

Our Company

Ayala Land is the leading, most diversified property developer in the Philippines today with a proven track record in developing large-scale, integrated, mixed-use communities that become thriving economic centers in their respective regions. To achieve this, we pioneer standards and practices that reflect an understanding and respect for the importance of sustainability.

Following the success of the Makati Central Business District (Makati CBD), Ayala Alabang, Cebu Park District, Bonifacio Global City (BGC) and Nuvali, we continue to increase our footprint in building estates that benefit more people nationwide. With over 8,000 hectares of land bank, we are now present in 45 growth centers across the country, offering a balanced and complementary mix of residential spaces, shopping centers, offices, hotels and resorts, convenience stores and health care facilities.
*G4-3, G4-6, G4-8, G4-9**

Our Vision and Mission

Our vision is to enhance our standing and reputation as the Philippines' leading real estate developer, and to be a strong partner in nation-building.

By developing integrated, masterplanned, and sustainable mixed-use communities in vibrant growth centers all over the country, we strive to continually elevate the quality of life for all of our customers.

We shall be a responsible corporate citizen and act with integrity, foresight, and prudence.

We shall empower our employees to deliver products that exceed our customers' expectations and build long-term value for our shareholders.

Our Core Values

At Ayala Land, we value integrity, long-term vision, empowering leadership, and commitment to national development. *G4-56*

*Refer to GRI-G4 General Standard Disclosures on page 94.

Ayala Malls Fairview Terraces

About This Report

Every year, we make it a point to provide you with a comprehensive discussion of our financial statements, results of our operations, corporate governance practices, and sustainability performance. This year, we will further enhance the reporting of our sustainability and our corporate governance practices.

Consistent with our strategy to embed sustainability in the way we conduct our business, we show material sustainability metrics with key financial and operating results in our Performance Highlights section. This gives us a more balanced perspective of our 2014 accomplishments.

To take the discussion deeper, we integrate sustainability in the Business Review section with sidebar stories on our four focus areas: site resilience, pedestrian and transit connectivity, eco-efficiency, and local employment.

We will release a more comprehensive and dedicated Sustainability Report online in September 2015. This new approach allows us to address our different set of readers and stakeholders in a more strategic and focused manner, and to communicate our business results more effectively.

On Corporate Governance Reporting, we adapt here a new approach by following the key metrics provided under the ASEAN Corporate Governance Scorecard. Doing so provides our shareholders and stakeholders with a quicker reference to our governance practices that are aligned and consistent with ASEAN standards.

An online version of this report is available for download at *ir.ayalaland.com.ph*. Details and further analysis of material sustainability data for 2014 will be available at *www.ayalaland.com.ph/sustainability*. *G4-28, G4-31*

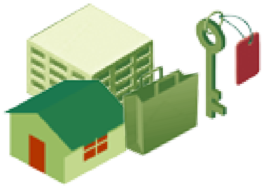
Contents

2014 At a Glance G4-9

Performance Highlights

Ayala Land generated a net income of ₱14.8 billion in 2014 on the back of strong performance across all business segments.

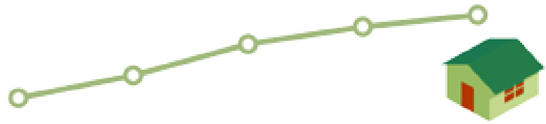
Total Launches
74 projects
worth ₱133B



Net Income ₱14.8B
Return on Equity 14.4%

	2010	2011	2012	2013	2014
NIAT	₱5.5B	₱7.1B	₱9.0B	₱11.7B	₱14.8B
ROE	10.0%	12.0%	12.5%	13.0%	14.4%

Reservation Sales
₱101.7B



2010	2011	2012	2013	2014
₱33.1B	₱51.7B	₱77.6B	₱91.9B	₱101.7B

Malls GLA
Gross Leasable Area
1.34M sqm

2010	2011	2012	2013	2014
1.00M	1.08M	1.19M	1.26M	1.34M

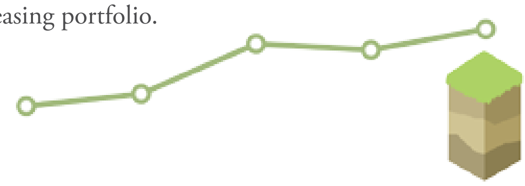
Offices GLA
612K sqm

2010	2011	2012	2013	2014
395K	429K	509K	562K	612K

Capital Expenditure

Total spend reached an all-time high of ₱83.3 billion for land acquisition, residential development, and the build-up of the leasing portfolio.

₱83.3B



2010	2011	2012	2013	2014
₱20.1B	₱29.9B	₱71.3B	₱66.3B	₱83.3B

Hotels and Resorts
2,172 Room Keys

2010	2011	2012	2013	2014
784	784	1,467	2,001	2,172

Embedded Sustainability Through Our Four Focus Areas

Site Resilience

410 hectares of parks, greens, and refuge areas in Makati Central Business District, Bonifacio Global City, and Nuvali and growing as we develop more estates.

Pedestrian and Transit Connectivity

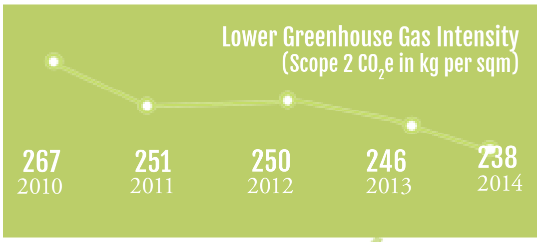
More than 4,500 meters of unimpeded, climate-protected network of walkways at the Makati Central Business District.

Contribution to Local Economy/Employment

Around two million jobs created directly and indirectly in our established developments.

Eco-efficiency

10.94 percent decrease in greenhouse gas emissions per square meter over five years and reviewing our targets as we continue to expand and learn from best practices across developments.



Financial Highlights

(In thousand pesos, except if indicated)	2014	2013	2012****
Statement of Income			
Revenues	95,197,046	81,523,070	59,932,162
EBITDA*	29,771,785	24,114,592	16,616,784
Net income (attributable to equity holders of ALI)	14,802,642	11,741,764	9,038,328
Statement of Financial Position			
Cash and cash equivalents**	34,586,526	40,777,520	32,138,588
Total assets	388,944,463	325,473,685	254,115,680
Total borrowings	124,665,670	101,901,885	74,778,063
Stockholders' equity	121,995,458	112,097,566	95,540,214
Statement of Cash Flows			
Net cash provided by operating activities	36,010,205	27,238,649	8,422,529
Net cash used in investing activities	(51,505,233)	(64,432,151)	(54,914,554)
Net cash provided by financing activities	16,206,172	33,037,555	51,328,434
Consolidated Project and Capital Expenditures			
(In billion pesos)	83.3	66.3	71.3
Financial Ratios			
Current ratio	1.22	1.45	1.41
Debt-to-equity ratio*****	1.02	0.91	0.78
Net debt-to-equity ratio	0.74	0.55	0.45
Return on equity***	14.4%	13.0%	13.0%
Return on assets***	5.0%	4.9%	5.3%
Stock Information			
Market capitalization (in billion pesos, as of yearend)	478	351	364
Stock price (per share, as of yearend)	33.70	24.75	26.45
Earnings per share	1.05	0.84	0.68

** Earnings before interest, taxes, depreciation, and amortization*
*** Includes short-term investments and investments in Unit Investment Trust Funds (UITF)*
**** Return on average equity and average assets*
***** Restated. Please refer to the 2013 Audited Financial Statements*
****** Total borrowings / Total equity (includes non-controlling interest)*

Let’s build sustainable communities

with responsibility and foresight to spur long-term development.

Read messages from our leaders

Chairman's Message

Building sustainable communities that enrich lives is a commitment that Ayala Land delivers every year. In 2014, we continued to deliver on this promise and took advantage of unique opportunities in the market.

Today, the Philippines is considered as one of Asia's brightest spots. There is greater confidence in the country, with upgrades in our investment ratings and competitiveness ranking, and effective reforms in the country's governance structure. Our country's major indicators and economic drivers also remain solid.

This exciting growth in the economy brings significant opportunities for Ayala Land, and we are well positioned to seize them.

As the economy improves, more and more Filipinos are able to access the kind of quality and well-planned living, working, and leisure spaces that the Ayala Land brand is known for. This exciting growth in the economy brings significant opportunities for Ayala Land, and we are well positioned to seize them.

Ayala Center Makati

In 2014, we culminated our 5-10-15 Plan, which started in 2009. We had set a target of reaching ₱10 billion in net income in five years. This was achieved a year ahead of the plan.

Looking ahead, we have set the bar higher as we transition to our 2020-40 Plan. Under the leadership of Bobby Dy, our new President and Chief Executive Officer, we are targeting to grow at an average pace of 20 percent annually and reach a net income of ₱40 billion by 2020. As we continue to expand our nationwide presence and diversify our portfolio of real estate products and services, we believe that we are well positioned to achieve these growth objectives. Our goals are anchored on the aspiration that the economy will continue to grow at its current pace.

As we pursue this bold growth aspiration, we also remain committed to our broad sustainability goals. Sustainability will continue to be embedded in the way we do things, contributing to the holistic development of our growth centers.

In addition, we strive to serve a much broader segment of society, providing a wider range of products and services. Moreover, we will continue to help stimulate the communities around our developments by providing opportunities for employment and livelihood development. Ultimately, I believe that the growth we experience must be shared with the broader community, so that our developments will be truly progressive and inclusive.

Bonifacio Global City

Throughout our milestones and achievements, we hold fast to our values of integrity and excellence. It is important for us to always conduct our business in a socially responsible manner, upholding the highest standards of transparency, compliance, and good governance. Most importantly, we have a strong organization equipped and positioned to take the company to new heights and support our country's national economic agenda.

As a final word, I would like to commend the exceptional performance of everyone at Ayala Land. It has been a source of great pride to see how Ayala Land has evolved over time, seizing so many opportunities during this exciting growth cycle. We are also deeply appreciative of the guidance and engagement of our Board of Directors and the continued confidence of our investors, creditors, business partners, and our customers. We look forward to many more years of responsible growth, helping build sustainable communities and enriching lives. *G4-1, G4-2*


Vertis North Quezon City (artist's perspective)

FERNANDO ZOBEL DE AYALA
Chairman

2014 was a year of significant milestones that strengthened the foundations for sustainable growth.

President's Message

I am pleased to report the successful execution of our 5-10-15 Plan. This allowed us to surpass our goals as we continue to realize our vision of enhancing land and enriching lives for more people.

In 2014, we achieved a net income of ₱14.80 billion, 26 percent higher than 2013, making it the fifth consecutive year that our company realized an annual growth rate of more than 20 percent. This increased our earnings per share commensurately, thereby creating more value for our shareholders.

Our large-scale, integrated, mixed-use developments, as well as our balanced and complementary real estate offerings, continue to provide platforms for the company's future expansion.

Our established estates continue to thrive. Makati, Cebu Park District, Bonifacio Global City, and Nuvali are market-leading developments and serve as strong platforms for the growing economy. We continue to enhance these communities, beginning with Makati. In 2014, we announced an additional ₱65 billion investment over the next five years, on top of the ₱60 billion we allocated in 2012. This strengthens Makati's position as the model and benchmark in Philippine urban development.

We intend to bring the benefits of our estates to more people nationwide. In recent years, we expanded our coverage with Circuit in Makati, Vertis North in Quezon City, South Park District in Alabang, North Point in Talisay City, Centrio in Cagayan de Oro, and Abreeza in Davao. In 2014, we launched four new estates—Arca South in Southern Metro Manila, Alviera in Pampanga, Altaraza in Bulacan, and Atria Park District in Iloilo to further increase our footprint.

The year 2014 marked significant achievements in our Residential, Commercial, and Hotels & Resorts businesses.

Our five Residential brands launched ₱85 billion worth of products in 2014 on top of our existing inventory. This resulted in gross sales surpassing the ₱100 billion mark for the first time in our history.

We maintained market leadership with share levels of 26 percent in Metro Manila and 28 percent in Visayas and Mindanao, and continue to make inroads in broadening the reach of all our residential brands.

Our Commercial business grew driven by both our Malls and Offices groups. Our Malls posted an eight percent revenue growth from ₱10.48 billion to ₱11.36 billion, as household spending, same-store rentals, and mall sales increased. We opened Fairview Terraces in Quezon City with 60,300 sqm of gross leasable area (GLA), bringing our total shopping center GLA to over 1.3 million sqm. Similarly, our Offices portfolio expanded from 582,595 sqm to 611,816 sqm GLA as the demand for both traditional and BPO-type offices increased. Together with higher occupancies and rental rate increases, revenues grew 21 percent from ₱3.50 billion to ₱4.23 billion.

Our Hotels and Resorts portfolio increased in number of room keys from 2,001 to 2,172. We launched Lio, our first eco-tourism estate in El Nido, as Palawan continues to receive international accolades as a world-class destination. Moreover, our homegrown hotel brand Seda was recognized last year by the prestigious World Travel Awards as the Philippines' Leading Hotel Group at the country level.

We continue to strive for completeness in our communities by building up our new business lines: QualiMed healthcare facilities, FamilyMart convenience stores, and Wellworth department stores.

Alviera Pampanga (artist's perspective)

A concerted effort in increasing our margins led to various programs in design, procurement, construction, operations, and cash management. These initiatives have started to yield positive results with NIAT margin increasing by over one percent, from 14.4 percent to 15.5 percent.

Organizational development remains a top priority, and our teams continue to be empowered to seize opportunities in the market and improve on our service and delivery capabilities. Our construction and property management arms continue to make investments and fine-tune their operations to better align with customer expectations.

On the back of this solid platform for growth, Ayala Land signaled in 2014 the beginning of its new 2020-40 Plan. Our target is to achieve a net income of ₱40 billion by the year 2020, effectively growing at an annual rate of 20 percent. With the right strategy in place, we believe this target is well within our reach.

Our confidence is built on several drivers of growth.

First, the Philippine economy continues to be strong, buoyed by several factors—historically low mortgage rates, a steady stream of remittances from overseas Filipinos, higher household consumption, preference for the Philippines as a BPO location, and an increase in local and international tourism arrivals. With these positive economic drivers, we believe we are uniquely positioned to capitalize on the opportunities presented by a broader and more dynamic market.

Second, we will leverage our over 8,000-hectare land bank in 45 growth centers by continuously developing our established sites and investing in our emerging and new estates.

Third, we will continue to launch residential products across our five brands and put in significant investments to further build our Malls, Offices, and Hotels businesses.

Our 2020-40 Plan is supported by a strong business model able to generate substantial cash flows with a strong balance sheet able to withstand changes in market conditions.

Arca South (artist's perspective)

Our developments are aligned where we have the most opportunity to make a difference—in building sustainable communities anchored on site resilience, pedestrian and transit connectivity, eco-efficiency, and local employment. These focus areas will add significant value to our developments and elevate the quality of life for more people.

2014 was a year of significant milestones that strengthened the foundations for sustainable growth.

We recognize our dedicated employees for ensuring the successful execution of our plans and for constantly pushing the envelope in creating market-relevant products.

We are grateful to you, our shareholders, for your continued support. This has added to our confidence to grow, stay true to our vision, and be a strong partner in nation-building. G4-2

BERNARD VINCENT O. DY
President & CEO

Over the years, we have adhered to ideals that have been the bedrock of our reputation as the leading property developer in the Philippines.

CFO's Report

The year 2014 marked the end of our five-year strategic roadmap called 5-10-15 Plan. This plan is aligned with our thrust of building sustainable communities anchored on a well-grounded and disciplined strategy to continuously increase shareholder value and ensure a flexible business model that allows us to withstand various market cycles and manage risks, while capitalizing on opportunities driven by the strong and positive performance of the Philippine economy.

We have come a long way since 2009 when we charted a new growth trajectory for Ayala Land and brought the Company to an unprecedented level of market presence, capability, and scale. Revenues for 2014 reached ₱95.2 billion, with net income registering at ₱14.8 billion, a first in our history, and return on equity ending at 14.4 percent.

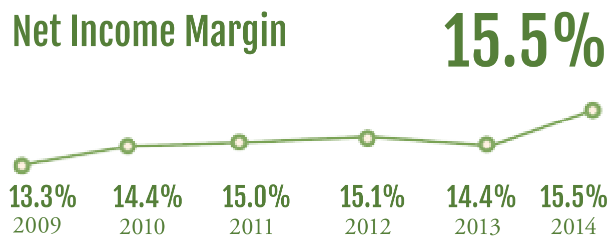
With key initiatives in place to provide the required capital to sustain growth, improve margins, enhance capital efficiency, develop the organization's capability to execute and manage risks, and continue building the brand, we have successfully capped the 5-10-15 Plan on a high note this 2014.

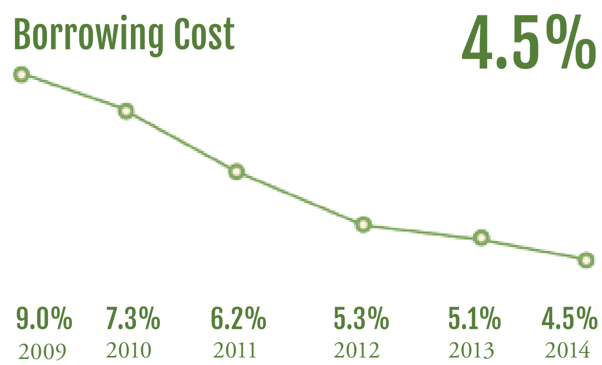
We raised a total of ₱23 billion in debt capital to partially support our capital expenditures which reached an all-time high at ₱83.3 billion. The rest was funded through internally generated cash from operations and dividends from the various subsidiaries which were managed tightly to avoid incremental borrowings. We also developed and implemented solutions to support international sales by expanding non-traditional payment channels through BPI's Auto Debit Arrangement, Dragonpay, iRemit, and Automated Clearing House-based direct debits which helped grow international sales by 37 percent to ₱18.5 billion, representing 24 percent of total booked sales.

Our initiatives to bring down costs have also resulted in higher margins, with earnings before interest and taxes or EBIT margin improving to 27.4 percent from 25.9 percent, while net income margin registering at 15.5 percent from 14.4 percent in 2013.

We expanded our vendor partnering and international sourcing program based on aggregated volumes of standardized materials across the various businesses. We also consolidated the purchasing organization through Makati Development Corporation for maximum leverage and better coordination. Efficiency gains were achieved on direct operating expenses through active yield management of the investment property portfolio.

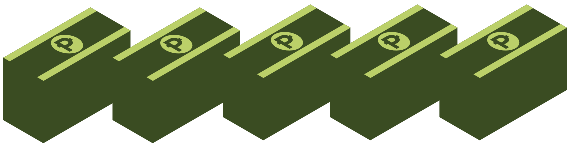
Through continued overhead cost control, which include automation of key business processes, outsourcing of non-core functions, and IT support for new businesses, general and administrative expenses as a percentage of revenues further improved to 6.5 percent in 2014 from 7.3 percent in 2013.





Total Dividends Distributed to Shareholders

₱5.9B



To further strengthen our balance sheet and reduce our overall cost of capital, we continued to actively manage the group's level of debt by extending the tenor to optimal levels. We also took advantage of the low interest rate environment which resulted in bringing the average cost of borrowing from 5.1 percent to a low of 4.5 percent in 2014.

Equally important, we continued to deliver on our dividend commitment in 2014 and distributed a total of ₱5.87 billion to you, our shareholders. This was significantly higher than the ₱4.07 billion we distributed back in 2013 and represented a 50 percent payment of previous year's earnings.

On the organizational front, we continued to strengthen our risk management and corporate governance practices throughout the organization. In 2014, we launched our first Governance, Risk Management, and Compliance Summit to reinforce the practice of good corporate governance among key members of management. This summit gave us an opportunity to build on our current strengths and once more align our business practices with our corporate values, which have always served as our competitive advantage.

To guard against conflicts of interest and uphold principles of fair play, we also enhanced our related-party transactions policy last year so that all transactions with associates and related parties are done on an arm's-length basis, at current market prices at the time of the transaction, and in the best interest of all stakeholders.

Over the years, we have adhered to these ideals that have been the bedrock upon which we have built our reputation as a leading property developer in the Philippines. While we have been consistently recognized by various award-giving bodies for our corporate governance practices, we remain committed by ensuring that our company's business plans are executed in the most transparent and ethical manner.

With the five-pillar strategy of growth, margin improvement, capital efficiency, organizational development, and brand building well entrenched into the way we operate, we are well positioned to take full advantage of the country's improving outlook. And with the key lessons we learned from our progress since we started our 5-10-15 Plan in 2009, we will remain grounded and disciplined in our approach as we embark on our new 2020-40 Plan.

As we take new paths towards sustained growth, we hope for your continued trust and confidence. The success of Ayala Land would not be possible without your support as our stakeholders. We continue to count on you as we set for ourselves bigger targets and broader horizons in the coming years.

JAIME E. YSMAEL
Chief Finance Officer &
Compliance Officer

Let’s build sustainable communities

with well-planned estates that meet diverse needs and fulfill aspirations.

Learn how our businesses performed in 2014

Large-scale, Integrated, Mixed-use Estates

Each Ayala Land estate provides complementary products and services that make it a complete community. We are present in 45 growth centers and our land bank spans over 8,000 hectares.

1.3M sqm
Gross Leasable Area

Malls

180 Managed Accounts

Property Management

₱102B
Reservation Sales

Residential

Bonifacio Global City: An example of an Ayala Land Estate


612K sqm
Gross Leasable Area
Offices
2,172
Room Keys
Hotels & Resorts
₱109B
Worth of Projects
Construction
8,639ha
of land bank in the Philippines

Business Review

G4-4

Ayala Land's income growth of 26 percent in 2014 was driven by the strong financial performance of each of its business lines, highlights of which are reported in this section. Our approach in expanding our product lines as a part of large-scale, integrated, mixed-use estates allows for the various business lines to build on the momentum and synergy they each create.

We are committed to remaining at the forefront of excellence in masterplanning and design, construction, and property management.

Years of experience have led us to identify four sustainability focus areas that run parallel to our broader vision, and support our business targets. Initiatives under each focus area are adopted by the various business units, and embedded throughout our operations.

Four Sustainability Focus Areas *G4-2, G4-56*

The four sustainability focus areas help us create long-term value for our customers, investors and various stakeholders.

Site Resilience. Ayala Land recognizes the importance of minimizing developmental impact to the environment, and the particular vulnerability of the Philippine environment to natural calamities. As such, we undergo careful study in site selection, masterplanning and design, and physical development of our estates to ensure that we minimize our impact to the environment and implement practices that promote sustainability. We build parks and open spaces that serve as refuge and rainwater absorption areas, and are deliberate about the practice of planting native and endemic landscapes which are more resilient to extreme climate conditions.

Pedestrian and Transit Connectivity. Our estates are designed to be pedestrian-friendly and accessible to public transport. We create an efficient "live-work-play" community that promotes an active and healthy lifestyle. By enabling and encouraging a walking culture, we hope to continue reducing pollution from vehicular traffic.

Eco-efficiency. We respect that water, energy, and raw construction materials are finite resources to be used judiciously. We use passive design and orientation to lower energy requirements in our facilities and leverage technology to further decrease our carbon footprint.

Local Employment. Our strategic presence through our various developments across the Philippines helps us to create new opportunities for employment and productivity. We prioritize local hiring and consciously allocate space for homegrown businesses, to help foster local economic growth well into the future.

Eco-efficiency

Creative use of passive design and technology to minimize energy, water, and waste footprint

Pedestrian and Transit Connectivity

Facilities that promote walkability, and improve the pedestrian experience

Local Employment

Developments that provide opportunities for job creation

Site Resilience

Open spaces, parks, and resilient landscapes that provide respite and refuge

Greenbelt Mall Makati

Business Review
Estates

Nuvali Laguna

Ayala Land is best known for creating thriving economic centers which seamlessly integrate living, working, and recreation.

Our established estates such as the Makati Central Business District, Bonifacio Global City, Cebu Park District, and Nuvali are market-leading developments in the country. These have become benchmarks in creating business and lifestyle centers and serve as blueprints for our emerging estates, such as Vertis North in Quezon City and Circuit Makati.

In an effort to continue this legacy, we launched four new estates in 2014—Arca South in Taguig City, Alviera in Pampanga, Altaraza in Bulacan, and Atria Park District in Iloilo.

The 74-hectare Arca South project in Taguig is envisioned as the next central business district to emerge South of Metro Manila. Apart from a mix of residential and commercial offerings, the estate will have offices, regional and transit-oriented malls, a 265-room Seda hotel, and a 250-bed QualiMed hospital. Arca South is highly accessible and will have direct links to the Metro Manila Skyway, and the modern Integrated Transport System (ITS) planned by the Department of Transportation and Communication.

Alviera is a 1,125-hectare estate located in Porac, Pampanga which sits along the Subic-Clark-Tarlac Expressway. Its combined residential and commercial offerings are expected to spur economic activity not only in Pampanga but also in Central Luzon. A 31-hectare Alviera Industrial Park is one of the many unique features of this estate.

Altaraza, a 98-hectare estate in San Jose Del Monte, Bulacan, offers new concepts in modern suburban living. It is anchored by a commercial town center, and will be home to three of Ayala Land's residential brands—Alveo, Avida and Amaia, providing a place to nurture growing families. It will also have a 100-bed QualiMed hospital.

In the Visayas region, we launched the 21-hectare Atria Park District in Iloilo, where we opened our first QualiMed hospital. The estate will have a residential development by Avida, commercial and office establishments, and a 153-room Seda hotel.

In Palawan, we launched our first resort estate called Lio, envisioned to be a model for sustainable planning and construction. With 325 hectares of land, Lio is intended to become a premium tourist destination offering world-class hotel accommodations, commercial establishments, residential products and recreational facilities.

Enhancing our Estates. We continue to enhance our estates highlighted by the redevelopment of strategic nodes in Makati. On the southern side along EDSA, we opened the McKinley Exchange transport hub. Within the heart of the city, we continue to expand Ayala Center with more hotels, offices, residences and shopping spaces, and in the Ayala Triangle Gardens, plans are underway for premium grade office and hotel towers. At the northern side of Ayala Avenue, the mixed-use node of City Gate will rise to add 71,000 sqm gross leasable area (GLA) of office and retail, 293 serviced apartments under the Seda brand, and civic spaces of up to 2,600 sqm. With Circuit Makati, the city's borders are redefined to offer an entertainment district that will complement Makati's business environment.


Ayala Triangle Gardens

Deeply Rooted: Building Resilience with Native Trees

The beautiful and sturdy Dita (*Alstonia scholaris*), the hardy Bitaog (*Calophyllum blancoi*), and the stately Bagras (*Eucalyptus deglupta*) are just a few of the more than 50,000 Philippine native trees found in Ayala Land communities. Planted over the years, or already growing within our land bank, native trees are known to thrive better as they are better suited to the Philippine climate.

Properly chosen native trees result in landscapes that are resilient to the average of 20 storms that visit the country every year. Of the top 15 tree species felled by tropical cyclone Glenda in our developments last July 2014, only two were native species. Common exotic or non-native trees like the Ipil-ipil (*Leucaena leucocephala*) and Acacia (*Samanea saman*), both introduced from Mexico, have root systems that cannot withstand strong winds.

Learning from this experience in 2014, our native-plant technical working group, together with scientists and experts, came up with a list of 75 indigenous tree species from 38 plant families to enhance our plant palette. Populating our communities with native trees, we strengthen our sense of place and identity, and improve project and people's resilience.


Native Dita trees

Business Review
Residential

Ayala Land recognizes the Filipino's basic aspiration to own a quality home. This is why we build sustainable communities that provide a range of living solutions that cater to the needs of more people through our five residential brands—Ayala Land Premier, Alveo, Avida, Amaia, and BellaVita.

In 2014, revenues from all five brands reached ₱52.26 billion, 24 percent higher than in 2013. Reservation sales registered an all-time high of ₱101.70 billion, translating to monthly average sales of ₱8.47 billion, and overall increase of 11 percent from a year ago.


Arbor Lanes at Arca South (artist's perspective)

Ayala Land Premier

Ayala Land Premier (ALP) continues to lead in the luxury segment with the launch of its high-value residential condominiums and lots in 2014. ALP registered growth in revenues of 48 percent to ₱23.10 billion due to substantial booked sales generated by existing and newly-launched projects. These include residential lots in Soliento in Nuvali, The Courtyards in Imus/Dasmariñas, Cavite, Ayala Westgrove Heights in Silang, Cavite, and Ayala Greenfield Estates in Calamba, Laguna, as well as condominium units in East Gallery Place at BGC, Park Terraces in Makati, Two Roxas Triangle and Garden Towers in Makati and Arbor Lanes in Arca South.

With its strong brand positioning, Ayala Land Premier is poised to grow its presence in key Ayala Land estates and expand more into new growth areas, carrying on its strategy of developing luxury residential spaces that address the sophisticated taste of the growing high-end segment.

Alveo Land

Alveo posted an increase in revenues of 14 percent to ₱10.38 billion as a result of strong demand for its residential and office developments. In 2014, Alveo strengthened its foothold in the upscale market with successful launches in key estates, such as Verve Residences Two and Park Triangle Corporate Plaza North Tower in BGC, High Park Tower One in Vertis North, Veranda in Arca South, Lumira in Nuvali, and Westborough Town Center in the Laguna-Cavite corridor.

Alveo will continue to grow its market share in the coming years by aggressively introducing key developments throughout the country. Capitalizing on the growing upscale market, Alveo is sharpening its focus in providing genuine consumer-relevant real estate innovations that will strengthen its position in the industry.

The Veranda at Arca South (artist's perspective)

High Park at Vertis North (artist's perspective)


One Union Place at Arca South (artist's perspective)

Avida Land

Avida underscored its commitment to develop dream communities for middle-income Filipinos. It expanded its reach to the overseas market which accounted for 40 percent of its total reservation sales.

Avida's revenues increased from ₱12.5 billion to ₱13.14 billion which is attributed to the sustained contributions of existing projects as well as the diverse range of its new projects located in estates such as Arca South, BGC, Nuvali and Alviera.

Among last year's notable projects were One Union Place at Arca South, The Montane, Avida's 5th residential condominium development in BGC, and Southfields Settings in Nuvali, which pioneered the brand's new series of house models.

With the successful response to its products in Nuvali, BGC and Vertis North, Avida Land will continue to mark its presence in the middle-income segment by launching new models in Ayala Land's new estates in the coming years.

Amaia Land

Amaia achieved a 50 percent growth in revenues to ₱3.63 billion in 2014. This was driven by a 48 percent increase in sales from the overseas market, and higher reservation sales in Amaia Steps Nuvali, Amaia Skies Cubao and Amaia Steps Sucat.

Amaia aims to maintain its lead in the affordable housing segment by anchoring its developments on five pillars - Location, Features and Amenities, Quality, Buying Experience, and Living Experience. It launched seven projects in 2014, bringing its total project portfolio to 32 since it started five years ago.

Newly launched projects include Amaia Series and Amaia Square Novaliches, Amaia Scapes San Fernando, Amaia Steps San Pablo, Amaia Scapes Urdaneta, Amaia Steps Capitol Central, and Amaia Steps Parkway Nuvali. The brand will continue to serve a broad Filipino market in new locations in Luzon, Visayas and Mindanao.


Amaia Scapes Laguna


BellaVita Tayabas

BellaVita

In 2014, BellaVita, attained revenues of ₱115.6 million, an 81 percent increase, as a result of strong bookings from its projects in General Trias, Cavite, and Alaminos, Laguna. It aims to expand its reach with BellaVita Cabanatuan, BellaVita Pililia, and BellaVita Alaminos Phase 2.

With the increasing demand for homes in the Philippines, BellaVita aims to provide access to socialized housing to a broader Filipino population.

Business Review

Malls and Offices

Fairview Terraces Quezon City

Ayala Land recognizes the importance of integrating both work and recreational facilities within its estates. Our sustainable communities support the various elements of the dynamic lifestyles of our customers. Diverse retail and office products are delivered by Ayala Malls and Ayala Land Offices, respectively.

Shopping Centers. In 2014, Ayala Malls' revenues grew by eight percent from ₱10.48 billion to ₱11.36 billion as a result of the steady performance of its established and newly-opened shopping centers.

In 2014, we opened Fairview Terraces in Quezon City, a 4.8-hectare integrated mall and office development with a GLA of 60,298 sqm. The entire development bears Ayala Land's signature "green" design with great care taken to preserve existing trees. We also expanded the UP Town Center and opened Bonifacio Central Square in Bonifacio Global City. The completion of these new shopping centers resulted in a total Malls GLA of 1,338,844 sqm.


U.P. Town Center Quezon City

A highlight of 2014 was IDEA'YALA, a student competition that pushed for innovative mall concepts, enhancing customer experience. Ayala Malls partnered with 40 schools nationwide to crowdsource bold and outstanding concepts that will further improve its product and service platforms while engaging the Filipino youth.

Launching IDEA'YALA: Paloma Urquijo Zobel , Ayala Corporation Chairman Emeritus Jaime Zobel de Ayala and Mariana Zobel


Ayala Center Cebu


Bonifacio Central Square 4D Cinema


City Gate Makati (artist's perspective)

Offices. As the modern work environment continues to transform, Ayala Land Offices responds by offering modern, high-technology spaces that are strategically located in thriving economic centers and are connected to public infrastructure and transportation for improved mobility.

In 2014, Ayala Land Offices' revenues increased by 21 percent from ₱3.50 billion to ₱4.23 billion driven by newly opened facilities, higher occupancies in existing buildings, and increase in average rental rates.

Completed Offices include the following: UP-Ayala Land Technohub Buildings N and O, McKinley Exchange in Makati, the BPO facility in Fairview Terraces, and Cebu eBloc 3. Total office GLA expanded to 611,816 sqm.

Makati elevated walkway

Makati underpass

Walks of Life: Connecting Healthier Work Environments

Everyday, an estimated 22,000 people use the public transit infrastructure of Bonifacio Global City (BGC). Thousands more walk down and cross its streets as they go about their daily routines. With the deliberate design and enhancement of a fine-grained pedestrian system and the incorporation of a kilometer-long pedestrian retail corridor at Bonifacio High Street, a culture of walking has emerged at BGC.

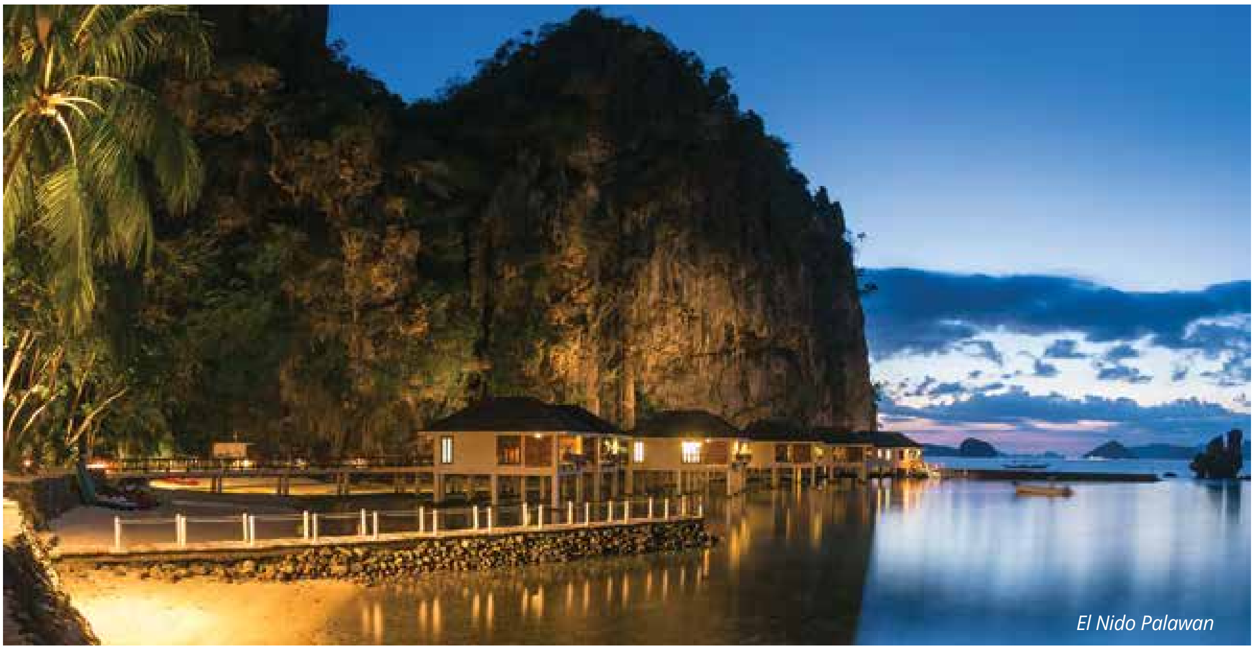
Those who live, work, or meet up at the Makati Central Business District can always rely on its four-kilometer network of climate-protected walkways. These walking routes not only lessen the need for car trips in the vicinity, but also contribute to people's health, wellness, and productivity. A round trip of the walkways alone is an opportunity for the individual to take 10,000 steps[1], a daily exercise recommended by health experts for active adults.

An estimated 100,000 employees in our operating office developments nationwide have access to on-site or nearby transit stops and terminals that ensure pleasant arrivals for the country's ever-growing workforce. Upcoming estate developments such as Arca South and Alviera will also feature strategic pedestrian and transit connectivity, making major retail and office properties more attractive, convenient, and ready for dynamic growth.

1 Tudor-Locke, C., Hatano, Y., Pangrazi, R. P., & Kang, M. (2008). Revisiting "How Many Steps Are Enough?". Official Journal of the American College of Sports Medicine.

Business Review

Hotels and Resorts



El Nido Palawan

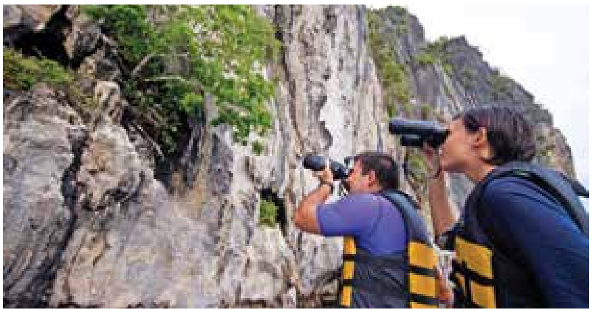
With the Philippines fast becoming a favored destination for business and leisure, Ayala Land expanded its Hotels and Resorts portfolio to meet increasing tourist arrivals. Revenues increased by 40 percent to ₱5.62 billion in 2014. Through its internationally branded hotels, homegrown Seda hotel chain, and El Nido Resorts in Palawan, Ayala Land continues to raise standards for hospitality in the Philippines.

More Warm Welcomes. The Hotels and Resorts group increased its number of room keys from 2,001 to 2,172 with the opening of the 150-room Seda hotel in Nuvali and additional rooms in El Nido Resorts in Palawan.

Seda also broke ground for the 150-room beachfront resort-hotel and retail strip in Lio, a 325-hectare eco-tourism estate located in El Nido, Palawan. Seda Lio is designed to keep 75 percent of its four-hectare site as open space, and landscaped using foliage common to Palawan. The beachfront retail strip named Shops at Lio will have two buildings of unique leisure-driven retail with a total GLA of 3,170 sqm.

Seda Nuvali

Award-winning Hospitality. In 2014, our hotels and resorts continued to attract attention from prestigious international travel publications. The World Travel Awards, considered "the Oscars of the travel industry," recognized AyalaLand Hotels and Resorts for supporting the growth of tourism and travel in the Philippines. Several country-level citations were received: Seda hotels as "Philippines' Leading Hotel Group," Fairmont Makati as the "Philippines' Leading Hotel," and InterContinental Manila as the "Philippines' Leading Business Hotel." At the regional level, El Nido Resorts was awarded "Asia's Responsible Tourism Award."



Local Collar: Spurring Growth from the Grassroots

True community development means benefits are felt directly by people. This is why we make sure that our project cycle helps contribute to local economies directly or indirectly. From land development and construction to operations, we prioritize hiring within the community, city, or province where we are located, providing the needed development at the local level.

As of 2014, 84 percent of the people working in our El Nido Resorts come from the host municipality and its nearby towns. Our property management subsidiary, Ayala Property Management Corporation, outsources 65 percent of its workforce from just within the immediate city or municipality where our developments are found.

As local capacity matures with our presence through the education, training, community partnerships, and market exposure we offer, we look forward to a bigger pool of locally based workforce in the future. Using local talent, we help the communities surrounding our developments grow from the ground up, building the foundation of strong, enduring economies.

Business Review

Construction and Property Management

Circuit Makati

Our construction arm, Makati Development Corporation (MDC), and property management subsidiary, Ayala Property Management Corporation (APMC), expanded their capacities and capabilities which improved operational efficiencies, resulting in a strong performance in 2014.

Construction. MDC's construction revenues grew 25 percent to ₱28.76 billion, driven by the completion of projects within the Ayala Land group of companies. It continued its modernization initiatives to enhance its competencies.

Sixty-four projects of MDC posted one million safe man-hours each. It received a total of 110 safety awards from various safety award-giving bodies. MDC also successfully retained its three world-class ISO Certifications for Quality Management Systems (ISO 9001:2008), Environmental Management Systems (ISO 14001:2004) and Occupational Health and Safety Management System (OHSAS 18001:2007).

With its 40-year track record, MDC has established a TESDA-accredited training facility called MDC Academy. The school aims to produce certified skilled workers to support manpower demand in the construction industry.

Drilling Rig

Property Management. APMC continuously contributes to Ayala Land's competitive advantage and provides quality services in facilities management. In 2014, the area under management increased by six million sqm, bringing its current total to 69 million sqm covering 180 properties.

APMC continuously introduces new technology and adheres to global best practices, promoting efficiency and reducing operating costs, in its managed properties. Various initiatives, including energy-saving programs, translated to a total savings of ₱179 million.

As a testament to APMC's commitment to deliver world-class quality property management services, it successfully maintained three international certifications (ISO) namely, ISO 9001:2008 (Quality Management), ISO 14001:2004 (Environmental Management) and OHSAS 18001:2007 (Occupational Health and Safety). APMC has been consistently cited by the Department of Environment and Natural Resources (DENR) for its energy efficiency programs, such as the 6 Chiller Energy Efficient Project, and has won 23 Don Emilio Energy Awards. It was also awarded various safety citations such as the 38 Fire Safety Awards by the Makati Fire Safety Foundation, Inc. (MAFSAFI), and the 3 National Fire Brigade Competition by the Safety Organization of the Philippines (SOPI).

Internalizing Better Resource Use

It's easy to believe that the world's resources are endless. The ocean's water, for instance, seems limitless. But our planet's resources are finite, with the United Nations spearheading a global water security agenda and talks of an energy crisis hitting close to home.

As a responsible land developer, Ayala Land has operationalized various approaches to minimize our impact on natural capital and manage our carbon footprint per square meter as we continue to grow.

In 2014, our construction and property management subsidiaries avoided a total ₱318.71 million in costs because of various eco-efficiency initiatives. Specifically, APMC avoided ₱93.62 million-worth of electricity due to technology improvements, demand management, and other best practices. MDC posted savings worth ₱225.09 million on hauling costs by segregating a total of 662,039.24 cu.m. recyclable waste.

Prioritizing eco-efficiency, we test and share best practices in energy, water, and materials efficiency that guide our designers and planners. We do this while preserving the quality and aesthetics that the Ayala Land brand is known for—so that being kinder to the planet looks good and feels good because we do it from within.

[1]*Intensity measures our resource consumption by the area in all our managed properties. It shows us if properties are getting more efficient on a per square meter basis.*
[2]*Productivity measures how much revenue a company can generate per unit of resource consumption. It was introduced by Corporate Knights Capital in determining the Global 100 annually.*

Business Review
New Businesses

Ayala Land continues to identify new opportunities to ensure that the communities within our estates are best positioned to thrive. Our objective is to continue enhancing convenience and accessibility for the needs of residents, shoppers, office workers, tourists, and the general public. Through new ventures in retail and healthcare, we complement Ayala Land's main offerings and further augment standards for service and accessibility.

QualiMed. A joint venture between Ayala Land and Mercado General Hospital, Inc., QualiMed offers quality medical care and services that are affordable and accessible. The group leverages state-of-the-art medical equipment run by highly trained and experienced medical professionals and care experts. In 2014, we opened QualiMed clinics in Trinoma, Fairview Terraces, and McKinley Exchange Corporate Center, and inaugurated our first QualiMed hospital at Atria Park District Iloilo.

Wellworth. In partnership with Stores Specialists, Inc. (SSI), one of the largest specialty retail firms in the Philippines, Ayala Land opened its first Wellworth department store at Fairview Terraces. Wellworth is a value-based, mid-market department store chain that offers a wide variety of international, local, and exclusive brands. Our second Wellworth department store is slated to open at the UP Town Center in Quezon City within the second half of 2015.

FamilyMart. FamilyMart sets a new standard in convenience store retailing in the Philippines by responding to the needs of highly urbanized communities where convenience is primary. The global brand has been embraced as a neighborhood store chain with close to 90 convenience stores in operation as of the end of 2014. FamilyMart launched its franchising operations in September 2014, attracting over 300 potential franchisees. This move supports plans to expand further in the next few years.


QualiMed Hospital


QualiMed


FamilyMart


Malls
Property Management
Residential
Offices
Hotels & Resorts
Construction


FamilyMart


Wellworth

Let's build sustainable communities

with a company committed to transparency and good governance.

Understand how we operate.

Strategy and Vision Category
Sustainable Business Award

Best Developer - South East Asia
South East Asia Property Awards

Annual Stockholders' Meeting
April 2014

Best Managed Company and Best Corporate Governance
Finance Asia

Best Developer
Philippine Property Awards

Corporate Governance

Ayala Land is firmly committed to good corporate governance as a critical element in creating and sustaining shareholder value while considering and balancing the interests of all our stakeholders. We believe that adherence to the highest standards of corporate governance is integral to our creation of shareholder value over the long term.

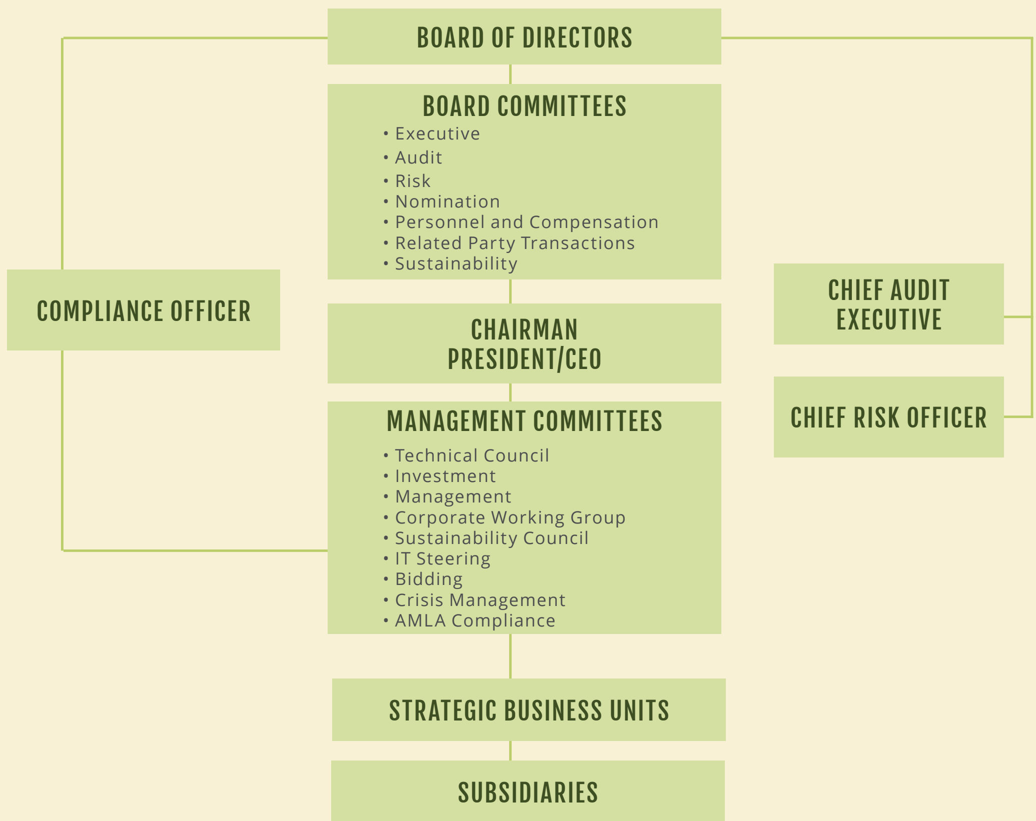
Ayala Land's corporate governance practices are principally contained in our Articles of Incorporation and By-laws.

The company is in full compliance with the code of corporate governance and all listing rules of the Philippine Stock Exchange (PSE) and regulations adopted by the Securities and Exchange Commission (SEC) and the Philippine Dealing Exchange Commission (PDEx).

The following report describes our corporate governance structure and detailed initiatives undertaken by the Company in 2014 to further reinforce our commitment to integrity, transparency, the equitable treatment of all shareholders, and a well-functioning Board and management team that are closely aligned in representing and working for the interests of our various stakeholders.

In 2014, Ayala Land's Corporate Governance discussion adopted the outline of the ASEAN Corporate Governance Scorecard to highlight existing corporate governance rules, regulations and best practices. *G4-42, G4-56*

Ayala Land's Corporate Governance Structure *G4-34, G4-38*






Board of Directors

Top (from left to right)

Fernando Zobel de Ayala
Chairman

Jaime Augusto Zobel de Ayala
Vice Chairman

Vincent Y. Tan
Director

Bernard Vincent O. Dy
President and CEO

Bottom (from left to right)

Francis G. Estrada
Independent Director

Delfin L. Lazaro
Director

Antonino T. Aquino
Director

Rizalina G. Mantaring
Independent Director

Jaime C. Laya
Independent Director

Board of Directors

Fernando Zobel de Ayala

Filipino, 54, has served as Chairman of the Board of Ayala Land, Inc. since April 1999. He holds the following positions in publicly listed companies: President and Chief Operating Officer (COO) 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 from 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 Ayala Land, Inc. 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) from 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 and Chief Executive Officer (CEO) of Ayala Land, Inc. effective April 7, 2014. Prior to this post, he was the Head of the Residential Business, Commercial Business and Corporate Marketing and Sales of Ayala Land, Inc. He is the Chairman of other two publicly listed companies namely: Cebu Holdings, Inc. and Cebu Property Ventures and Development Corporation. 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 Corporation, Alveo Land Corporation, 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 Master's Degree in International Relations at the University of Chicago in 1989 and 1997, respectively.

Antonino T. Aquino

Filipino, 67, has served as Director of Ayala Land, Inc. 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 Ayala Land, Inc. from April 2009 to April 2014, Manila Water Company, Inc. 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.

Delfin L. Lazaro

Filipino, 68, has served as member of the Board of Ayala Land, Inc. 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 from the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Vincent Y. Tan

Filipino, 64, has been a director of Ayala Land, Inc. 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 Ayala Land, Inc. He continues to provide informal inputs and training in sustainability and other topics of interest to the Ayala Land, Inc. management team. He graduated with a degree of BS Management Engineering from Ateneo de Manila University, a Master's 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.

Francis G. Estrada

Filipino, 65, has served as Independent Director of Ayala Land, Inc. 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 the Technology Committee of Rizal Commercial Banking Corporation; Director, Chairman of the Risk Management Committee and Member of the Audit Committee of RCBC Savings Bank; Director and Member of the 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 Master's 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 Ayala Land, Inc. since April 2010. He is an Independent Director of publicly listed companies namely GMA Network, Inc., GMA Holdings, Inc. and MWC. 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 the 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 Technology in 1960. He later on took his Ph.D. in Financial Management at the Stanford University in 1967. He has served as Minister of Budget, Education, Culture and Sports, Governor of the Central Bank of the Philippines, Chairman of the National Commission for Culture and the Arts, and Professor and Dean of Business Administration of the University of the Philippines.

Rizalina G. Mantaring

Filipino, 55, has served as an Independent Director of Ayala Land, Inc. since April 2014. She holds the following positions: Country Head for the Sun Life Financial group of companies in the Philippines, President and CEO of the flagship Sun Life of Canada (Philppines) Inc., Director of Sun Life of Canada (Philippines) Inc., Sun Life Financial Plans, Sun Life Asset Management Co. Inc., Sun Life Financial Philippine Holding Co. Inc., Sun Life Grepa Financial, Inc. and Grepalife Asset Management Corporation; Independent Director of Microventures Foundation Inc. She is also the Chair of Sun Life Financial-Philippines Foundation, Inc., and a member of the Makati Business Club, Management Association of the Philippines, Financial Executives of the Philippines and Women Corporate Directors Philippines. In 2010, she was selected as one of the 100 Most Outstanding Alumni of the past century by the University of the Philippines College of Engineering. In 2011, she was named by Moneysense Magazine as one of the 12 Most Influential in Personal Finance. She is also a recipient of the 2011 CEO EXCEL award given by the International Association of Business Communicators. She graduated cum laude from the University of the Philippines with a degree in BS Electrical Engineering. She also obtained an MS degree in Computer Science from the State University of New York at Albany.

Management Committee

From left to right

Anna Ma. Margarita B. Dy
Group Head, Strategic Landbank Management

Jaime E. Ysmael
Chief Finance Officer
Compliance Officer
Group Head, Finance

Jose Emmanuel H. Jalandoni
Group Head, Commercial Business
Group Head, Ayala Land Offices
Group Head, Hotels and Resorts
Group Head, ALI Capital

Arturo G. Corpuz
Group Head, Planning

Dante M. Abando
Group Head, Construction

Bernard Vincent O. Dy
President and CEO

Raul M. Irlanda
Group Head, Properly Management

Joselito N. Luna
Group Head, Innovation and Design

Emilio J. Tumbocon
Group Head, Visayas-Mindanao
Group Head, Human Resources and Public Affairs

Senior Management

Back row (from left to right)

Rodelito J. Ocampo
Head of Construction Operations,
Makati Development Corporation

Aniceto V. Bisnar, Jr.
President, Cebu Holdings and Cebu Property Ventures and Development Corporation

Ginaflor C. Oris
Chief Finance Officer,
Makati Development Corporation

Christopher B. Maglanoc
President, Avida Land Corporation

Romeo T. Menpin, Jr.
President and COO, Ayala Property Management Corporation

Leovigildo D. Abot
Chief Audit Executive,
Ayala Land, Inc.

Augusto D. Bengzon
Treasurer, Ayala Land, Inc.

Steven J. Dy
CFO, International Projects and Health Care

Manuel A. Blas II
Head of Commercial Operations,
Fort Bonifacio Development Corporation

Angelica L. Salvador
Controller, Ayala Land, Inc.

Front row (from left to right)

Michael Alexis C. Legaspi
Chief Operating Officer, Ayala Hotels, Inc. and AyalaLand Hotels & Resorts Corporation

Laurent P. Lamasuta
Executive Vice President, Ayala Property Management Corporation

Rowena M. Tomeldan
Head of Operations and Support Services,
Commercial Business Group

Maria Corazon G. Dizon
Head, ALI Capital Corporation

Robert S. Lao
President, Alveo Land Corporation

Thomas F. Mirasol
Head of Sales and Marketing,
Residential Business Group

Jose Juan Z. Jugo
Group Head, Ayala Land Premier

Ayala Land Corporate Governance Practices

Rights of Shareholders

Right to Share in Profits or Dividends

Dividends declared by Ayala Land on its shares of stock are payable in cash or additional shares of stock. In 2014, Ayala Land distributed a total of ₱5.871 billion in cash dividends.

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

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

Right to Participate in Decisions Concerning Fundamental Corporate Changes

At Ayala Land, we respect the rights of Shareholders to participate in decisions concerning fundamental corporate changes, such as but not limited to, amendments to the Company's constitution, authorization of additional shares, transfer of all or a substantial portion of the Company's assets, approval of remuneration matters, nomination of candidates for the Board and election of Directors through voting.

Right to Participate Effectively and Vote in General Shareholder Meetings

Shareholders are given the opportunity to approve remuneration matters of the Company's non-executive directors during general meetings, whether regular or special. Each shareholder may cast votes to which the number of shares he or she owns entitles him or her. The last increase in remuneration (annual retainer fee, board and committee meetings per diem) of non-executive directors was approved during the 2013 Annual Shareholders' Meeting held on April 7, 2014.

Minority shareholders maintain the right to nominate candidates for the Board of Directors. The list of the names of the nominees to the Board of Directors, together with the written consent of the nominees, shall be filed and submitted to the Nomination Committee through the Office of the Corporate Secretary, at least 30 business days prior to the date set for the annual meeting wherein they will be elected. The profile of directors seeking election or re-election is included in the Definitive Information Statement.

The election of Directors shall be by ballot and each shareholder entitled to vote may cast the vote to which the number of share he or she owns entitles him or her for as many persons as many votes as the number of Directors to be elected multiplied by the number of his or her shares shall equal, or he or she may distribute them on the same principle among as many candidates as he or she may see fit, provided that the whole number of votes cast by him or her shall not exceed the number of shares owned by him or her multiplied by the whole numbers of Directors to be elected.

In 2014, Ayala Land provided for an electronic voting facility for all stockholders during the Annual Stockholders' Meeting. This practice will be continued in the succeeding annual meetings.

All voting and vote tabulation procedures are disclosed before the meeting proceeds.

The minutes of the most recent Annual Stockholders' Meeting is posted on the company website. It documents the whole proceeding including the opportunity for shareholders to ask questions or raise issues. It also records the questions raised by stockholders in attendance and answers provided by each respective Board member. The minutes also document the resolutions, and the voting results, including approving, dissenting and abstaining votes for each agenda item, and the list of Board members who attended.

Markets for Corporate Control Functioning in an Efficient and Transparent Manner

In cases of mergers, acquisitions and/or takeovers requiring shareholders' approval, the Board of Directors may appoint an independent party to evaluate the fairness of the transaction price whenever deemed necessary.

Facilitating the Exercise of Ownership Rights by All Shareholders

The Company conducts continuous dialogue with institutional investors and implements active measures to encourage the active participation of shareholders, including institutional investors at the Annual Stockholders' Meeting, and through quarterly corporate briefings, one-on-one discussions, conference calls, and written platforms such as electronic mail.

If the controlling shareholder is an institutional investor, the ownership share of other institutional investors are counted in determining if their ownership is greater than five percent.

Equitable Treatment of Shareholders

Shares and Voting Rights

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

Each share of stock entitles the person in whose name it is registered in the books of the Company to one vote, provided that the conditions as regards to payment subject to which it was issued have been complied with.

Notice of Annual General Meeting

Ayala Land sends a notice to the stockholders of the date of meetings at least 21 days before the scheduled date of meetings. For the convenience of stockholders, the most recent Annual Stockholders' Meeting was held at the Grand Ballroom of Fairmont Makati, located at the Central Business District of Metro Manila, in Makati City, Philippines.

The notice of regular or special meetings indicate the agenda, the rationale and explanation for each agenda item, and sets the date, time, and place for validating proxies, which must be done at least five business days prior to the Annual Stockholders' Meeting.

Profiles of directors seeking election/re-election and auditors seeking appointment/re-appointment are clearly identified and indicated.

A proxy form is attached in every notice sent to each stockholder by mail.

Prohibition of Insider Trading

Insider trading and abusive dealing is prohibited. Any change in personal shareholdings in the Company of the Directors and key officers resulting from open market transactions or the grant of shares from incentive-based schemes implemented by the Company are reported to the SEC, PSE and PDEx within specified deadlines. The Company strictly enforces and monitors compliance with its policy on insider trading, which prohibits the buying or selling of Company securities during prescribed periods by covered persons, which include members of the Board of Directors, all members of the Management Team, consultants, advisers, and other employees who have been made aware of undisclosed material information with respect to the Company and its operations. This restriction is expanded to include the immediate family members of the parties mentioned.

Ayala Land also practices a Trading Black-out Policy which covers ten (10) trading days before and three (3) trading days after the date of disclosure of quarterly and annual financial results. For cases of non-structured disclosure of other material information, the black-out covers three (3) trading days before and after the date of disclosure.

All members of the Company's Management Team are mandated to submit an annual certification signifying that they have not transacted in the Company's shares during any of the previous year's trading black-out periods. The process of certification is conducted during the month of January of each year. There has not been any case of insider trading involving company directors and management in the last seven years.

Related Party Transactions

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, 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.

Ayala Land has a Related Party Transaction Policy that aims to define related party relationships and transactions and to set out the guidelines, categories, and thresholds that will govern the review, approval, and ratification of these transactions by the Board of Directors or Shareholders, to ensure that related party relationships have been accounted for and disclosed in accordance with the International Accounting Standards (IAS) 24 on Related Party Disclosures.

In accordance with the Charter of the Board of Directors, the Audit Committee is constituted as the Committee responsible to oversee and review the propriety of related party transactions and their required reporting disclosures.

All directors and employees of Ayala Land and its subsidiaries are required to promptly disclose any business and family-related transactions with the Corporation and/or its subsidiaries, to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

All employees of the Corporation are also required to complete the mandatory form on "Business Interest/ Related Party Disclosure" in the month of January of each year. This is duly noted by the employee's strategic business unit or group head, and submitted to the Human Resource Group which collates them in file and monitors compliance thereof.

Conflict of Interest

The Ayala Land also ensures that its independent directors hold no conflict of interest with the Corporation. Independent directors are required to submit to the Corporate Secretary a letter of confirmation stating that they hold no interest in companies affiliated with the Corporation and the management or controlling shareholders of the Corporation at the time of their election or appointment and/or re-election as independent directors.

The Corporation requires directors and key management personnel to abstain and/or inhibit themselves from participating in discussions on a particular agenda item when they are conflicted.

Before entering into a related party transaction, the Management shall report to the Audit Committee each new or proposed related party transaction for review and approval.

The Audit Committee shall review all the information reported by the Management and shall consider all of the relevant facts and circumstances available. The Audit Committee shall approve related party transactions before their commencement. However, material or significant related party transactions will have to be endorsed by the Audit Committee to the Board for approval. Materiality thresholds applicable to related party transactions are to be defined and endorsed by the Audit Committee to the Board.

The Board may, at its option, require that a related party transaction it has approved, be also submitted to the stockholders for consideration and ratification. *G4-41*

Protecting Minority Shareholders from Abusive Actions

The Related Party Transactions Policy requires that all related party transactions between Ayala Land, Inc., its subsidiaries, affiliates, and other related entities or persons are made on an arm's length basis at normal prices. To ensure that this policy is practiced and complied with, an assessment is undertaken of related party transactions as they happen.

It is the duty of the directors to promote shareholders' rights, remove impediments to the exercise of shareholders' rights, and recognize lawful mechanisms to seek redress for violation of their rights.

Role of Stakeholders

G4-24 to G4-27, G4-37, G4-56 to G4-58

Rights of Stakeholders that are Established by Law

We believe that our long-term success rests on the support and contribution of different stakeholders, including our shareholders, customers, business partners, employees, the communities around our developments, the government, non-government organizations (NGOs), and the media.

Shareholders

- We are committed to disclosing timely, accurate, and materially relevant information about the Company to our shareholders and the investing public.

- We place high importance to the Annual Stockholders' Meeting and its voting exercise to protect the rights and interests of all shareholders.

- We have also established a shareholder communication program to address the information requirements of the investing community on a daily basis.

Customers

- We recognize that our customers contribute significantly to the success of the Company.

- We are unrelenting towards further strengthening the trust and confidence of our customers by constantly ensuring on-time delivery of best-in-class products and services.

- We continuously sharpen customer focus and our service levels across all customer-facing units through dedicated service and relationship management teams.

- We ensure that our products and services perform their intended functions satisfactorily and not post a risk to health and safety.

Business Partners and Suppliers

- We strive to forge long-term and mutually-beneficial relationships with our business partners through impartial dealings and adherence to the highest level of moral and ethical conduct.

- To ensure that business partners and suppliers strictly comply with the company policies to prevent the occurrence of fraudulent activities, the Internal Audit Division conducts vendor audit in accordance with the provision in the Vendor's Code of Ethics.

- We also believe in granting equal opportunity to, and promoting fair and open competition among vendors and trade partners by encouraging the highest level of productivity, efficiency, quality and cost-competitiveness.

Creditors

- We acknowledge the rights of creditors as stakeholders and are committed to honoring our contracted financial obligations and any financial covenants these may contain.

- We present creditors with readily available information required to evaluate the Company's credit standing.

Employees

- The Code of Ethical Behavior covers all Ayala Land employees. It outlines the general expectations and sets standards for employee behavior and ethical conduct. Every Ayala Land employee is expected to comply with the letter and spirit of all applicable laws and regulations, with the provisions of this Code and with Ayala Land's Company policies and procedures. For more information, the Company's Code of Ethics is available on the company website.

- We endeavor to establish a suitable environment for the continuous learning and development of our people.

- We offer quality training opportunities and custom-fit courses under the Individual Development Plan process that enable our employees to upgrade their skill-set and perform at optimum levels. These training modules cover business and technical knowledge, skills-building, values, ethics, and corporate governance.

- We have level-appropriate training programs such as Professionals-in-Development (PID) program, Associate Managers Program, New Manager's Boot Camp, and internal trainings custom made for each unit of the of the Company.

- We also believe in the holistic development of our talents. We offer quality training opportunities and custom-fit courses that recognize and address the needs of Ayala Land's Leadership Pipeline. Knowledge transfer and building of capabilities are done through the shared efforts of the individual and their boss, executives, managers, and subject-matter experts.

- We urge our employees to undergo annual physical examinations and regular flu, cervical, and pneumonia vaccinations. Employees receive health risk assessments, timely information on prevention of serious diseases. We also provide extensive health insurance coverage for both employees and eligible family members. We have our clinic with a company nurse and doctor available to employees.

- We instituted a Safety Council in 2013. For our construction projects, we mandate the use of personal protective equipment, safety glasses, and dust masks among construction personnel. We have a detailed Emergency Response Plan in place and regular drills for fire, earthquake, and emergency are conducted.

- All matters related to the health, safety, and welfare of employees, including training and development programs and rewards and compensation are fully discussed in the Sustainability Report which will be released in September 2015.

Greater Good: Better Lives for More People

To Ayala Land, building sustainable communities nationwide means reaching out to the more vulnerable sectors of Philippine society for a more inclusive growth. Our initiatives demonstrate our proactive engagement in marginalized communities at every stage of our project development. We offer assistance in addressing the basic needs of housing, education, and livelihood training in our stakeholder communities, improving their chances to become productive sectors of society. Through these programs, we help the members of the base of the pyramid so that they can improve their lives and build a better future for themselves. Doing so, we demonstrate our commitment to being the country's strong partner in national development.


Estancia housing in Iloilo


NUVALI Livelihood Program


Hero Foundation


The Filipinas Heritage Library

Communities

- We are aware that our projects have a significant impact in the areas where we operate.

- We are dedicated to improving the quality of life not only of our customers but also the families and people in the communities that surround our developments, and the society as a whole.

Government

- We remain steadfast in our role in economic development and nation-building.

- We consistently work hand-in-hand with the government, both at the national and local levels, to address various environmental and social issues.

- We constantly seek to partner with the public sector in developing business solutions, initiatives and infrastructure platforms that may serve as catalysts for social progress and contribute to raising the standard of living of people in the communities we serve and develop.

- We support the government's anti-money laundering campaign and other laws by complying with all regulations imposed by regulators and other government institutions.

Non-Goverment Organizations

- We team up with reputable NGOs and corporate foundations for their expertise in providing meaningful and effective engagement with the communities that we serve.

- We also make available additional resources to augment their capacity and capability to increase their contribution to society.

- We have lasting partnerships with established NGOs who assist us in addressing some of the needs of the communities surrounding our developments through livelihood programs and employment opportunities.

- We likewise coordinate with the Ayala Foundation for the provision of educational grants to qualified students in public schools around the country.

Media

- We work closely with the media to properly disseminate timely and accurate news and information on the Company's activities to the general public.

- We consider the media as partners in our open and transparent approach to communication.

- We occasionally support media-initiated causes and events that are aligned with our principles and advocacies.

Sustainability Report

A comprehensive Sustainability Report will be released online in September 2015. This new approach will allow Ayala Land to provide more focus on its discussion of its sustainability practices under the Global Reporting Initiative (GRI) standards.

Right to Voice Concerns and Complaints

On the inside of the back cover of this report and the Company website, Ayala Land provides contact details that stockholders may access in the event of concerns and/or complaints for possible violation of rights.

Anti-Money Laundering

Ayala Land complies with all the rules, regulations and directives issued by the Banko Sentral ng Pilipinas and its Anti-Money Laundering Council (AMLC).

These cover general information and documentation requirements for customers and record-keeping standards.

Stakeholder Communication of Concerns and Unethical Practices

G4-37, G4-49, G4-50, G4-57, G4-58

Whistle-blowing Policy

The Company has expanded the coverage of its whistle-blowing policy to include employees of Ayala Land subsidiaries, affiliates, agents, suppliers or vendors, customers, and the general public. The amended and expanded policy defines conditions or concerns which can be reported by any individual or organization that becomes aware of, or suspects any irregularity or misconduct by employees through secure channels.

It is of primary importance that a business must operate in full compliance with applicable laws, rules, and regulations. Therefore, all employees must exemplify the behavior and professional demeanor consistent with such laws, rules, and regulations, as well as the Company's applicable policies and procedures. Also, third-party business partners must share and embrace the spirit of commitment to these sets of standards.

All employees, third-party business partners, or other stakeholders are encouraged and empowered to report their concerns should they suspect or become aware of any illegal or unethical activities. This can be done through the Ayala Land Business Integrity Channels.

Business Integrity Channels

The Company's business integrity channels are communication facilities that enable individuals to freely report fraud, violations of laws, rules, and regulations, or misconduct to people of authority without fear of retaliation. These secured channels provide concerned individuals all possible means to come forward and report their concerns either through electronic mail, telephone, fax, post mail, website or face-to-face discussions.

The ultimate goal is to give employees, third-party business partners, and other stakeholders every possible means for coming forward, so that they report information to top management or to the Board of Directors, rather than turning to the media.

The Ayala Land Business Integrity Channels shall be spearheaded by the Ayala Land Ethics Committee. The Ethics Committee, which has a direct reporting line to the Audit and Risk Committee, shall be chaired by the Head of Human Resource Division, and will be composed of selected members from the Internal Audit Division (IAD), Risk Management Division, and Ayala Group Legal Counsel. The committee evaluates and resolves concerns received via the business integrity channels to ensure just and prompt resolution. The Ayala Land Business Integrity Channels shall receive all reports from whistleblowers about the following:

- Conflicts of Interests
- Misconduct or Policy Violations
- Theft, Fraud or Misappropriation
- Falsification of Documents
- Financial Reporting Concerns
- Retaliation Complaints

The Ayala Land Business Integrity Channels shall accept reports made anonymously. The whistleblower who files a report may choose to provide the manner by which he can be contacted without jeopardizing his anonymity. Such means shall include, but is not limited to using an e-mail address, or a mobile number, among others. If the whistleblower chooses to identify himself, the recipient of the report from any of the Reporting Channels shall ask the whistleblower if he is willing to be identified in the course of the investigation.

After the investigation has been completed, and the report is substantiated, the Committee shall inform the Respondent's Company HRD about the report for appropriate action. The Respondent's Company HRD shall coordinate with the Committee in conducting full investigation in accordance with applicable Company policies and procedures.

The Committee shall ensure confidentiality of information. It shall treat all reports, including the identity of the whistleblower, confidential, unless compelled by law to reveal such information.

By reporting through any of the Ayala Land Business Integrity Channels, a whistleblower is protected from any retaliation against him, provided that the report is made in good faith.

Cases of retaliation against any whistleblower may be reported through any of the Ayala Land Integrity Business Channels.

The retaliation complaint shall be dealt with in accordance with this policy, or other relevant Company policies and procedures, and any applicable laws.

Disclosure and Transparency

We are committed to the highest standards of disclosure, transparency, and fairness in information dissemination.

We provide the public with strategic, operating and financial information through adequate and timely disclosure filing submitted to the regulatory authorities such as SEC, PSE, and Philippine Dealing and Exchange Corporation (PDex). Along with regular periodic reports, we disclose any and all material information about the Company that may have an impact on the Company's valuation, and therefore its stock price, and the trading volume of its securities.

All disclosures are immediately posted on our Investor Relations website and may be accessed through the following link: *http://ir.ayalaland.com.ph/Disclosures.aspx*

Transparent Ownership Structure

We regularly disclose the top 100 holders of our common and preferred shares, the security ownership of beneficial owners having more than five percent of the Company's total outstanding stock, and the shareholdings of members of the Board of Directors and key management officers in the Company. These are submitted to the SEC, PSE and PDEx and made available to the general public on a quarterly basis through postings on our Investor Relations website and annually in the Definitive Information Statement sent to our shareholders. We also disclose the percentage of foreign ownership in the Company on a monthly basis.

As of December 31, 2014, total number of shares owned by the public amounted to 7,129,586,405 shares, equivalent to 50.24 percent of total outstanding shares.

We continue to strictly implement guidelines covering securities dealings to comply with existing government regulations.

Directors Dealings in Shares of the Company

All directors and officers are required to disclose their transactions in shares of the Company within three trading days from the date of the transaction.

2014 DISCLOSURES

STANDARD DISCLOSURES	CLARIFICATION OF NEWS REPORTS
Public Ownership Report	Ayala Land Expanding Retail Portfolio
List of Top 100 Stockholders	Ayala Land Acquires Mitsubishi Corporation's 40% stake in Philippine Integrated Energy Solutions, Inc.
Joint Venture Agreement with Aboitiz Land in Mandaue Cebu	ALI Allots ₱7B for New township in Bulacan
Notice of Annual or Special Stockholder's Meeting	ALI Acquires 20-ha Binangonan Lot from IRC Properties
Notice of Analysts'/Investors' Briefing	ALI to Raise Hotel Capex
Compliance Report on Corporate Governance	ALI to Issue ₱15B Bonds
Clarification on ALI Partner Expanding Medical Venture	Exchangeable Bonds
Declaration of Cash Dividends	ALI to launch Myanmar, Vietnam projects
Amendment to Articles of Incorporation	Submission of Bids for₱2.5B ITS Deal
Nomination Committee Endorsement to the Board of Directors of Election of Mr. Bernard Vincent O. Dy	ALI Adds ₱65B in Outlay for Makati Expansion
Public Ownership Report	Laguna Lakeshore Project
Board Meeting Results	ALI forecasts 20pct Growth in Profits
AyalaLand Hotels and Resorts Corporation Signs Management Agreement with the Mandarin Oriental Hotel Group	ALI, RLC, 6 others Eye GSIS Assets
ALI Revised Corporate Governance Manual	ALI to Invest ₱75B in Porac Township Projects
Approval of Amendment to Articles of Incorporation and By-laws	Various News Articles- BHI, Jaka and STI
Attendance of Officers on and Corporate Governance Seminar	Ayala Towers to Raise ₱20B in sales
ALI Bonds due 2025 Interest Payment	ALI news Biz Buzz Hot Item
ALI Partners with SM in Ortigas	ALI Defers Homestarter Bonds
Attendance of ALI Officers in Institute of Corporate Directors Seminar	CA Ruling Favors Ayala Group, SM Loses Control of Ortigas Holding Firm
ALI Purchase of Anglo Interest in North Triangle Depot Commercial Corporation	ALI Sees Robust Earnings Growth in 6 years
ALI Purchase of Proportionate Share of Anglo in North Triangle Depot Commercial Corporation	Ayala Land Formalizes its Interest Anew in Paranaque Reclamation
	Ayala Denies Making New Offer for Puerto Azul
	Merry-Go-Round Column Naming Nominees to the Board of Directors

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

	SECURITY	Number of Shares			
		As of January 31, 2014	Acquired	Disposed	As of January 31, 2015
DIRECTORS					
Fernando Zobel de Ayala	Common	12,000	-	-	12,000
Jaime Augusto Zobel de Ayala	Common	12,000	-	-	12,000
Bernard Vincent O. Dy	Common	8,133,291	876,506	-	9,009,797
Antonino T.Aquino	Common	19,834,017	471,209	-	20,305,226
Jaime C. Laya	Common	10,000	-	-	10,000
Delfin L. Lazaro	Common	1	-	-	1
Francis G. Estrada	Common	1	-	-	1
Rizalina G. Mantaring	Common	-	-	-	1
Vincent Y. Tan	Common	11,496,981	3,195,290	800,000	13,892,271
OFFICERS					
Arturo Corpuz*	Common	4,939,444	915,778	345,076	5,520,146
Raul M. Irlanda	Common	880,377	257,774	347,144	791,007
Emilio J. Tumbocon*	Common	8,898,121	307,348	416,000	8,835,469
Jose Emmanuel H. Jalandoni	Common	4,136,670	379,962	450,000	4,066,632
Jaime E. Ysmael	Common	8,002,996	504,733	250,000	8,257,729
Dante M. Abando	Common	2,452,556	574,908	649,400	2,378,064
Augusto D. Bengzon	Common	1,654,666	211,602	50,000	1,816,268
Aniceto V. Bisnar, Jr.	Common	1,263,289	228,985	389,355	1,102,919
Manny A. Blas II	Common	1,548,460	151,051	350,000	1,349,511
Ma. Corazon G. Dizon	Common	867,002	229,029	146,395	949,636
Anna Ma. Margarita B. Dy	Common	4,608,760	85,093	-	4,693,853
Steven J. Dy	Common	1,022,969	10,000	-	1,032,969
Jose Juan Z. Jugo	Common	207,743	61,408	-	269,151
Robert S. Lao	Common	412,609	149,108	-	561,717
Michael Alexis C. Legaspi	Common	3,220,122	252,279	120,000	3,352,401
Joselito N. Luna	Common	3,332,156	236,169	-	3,568,325
Christopher B. Maglanoc	Common	632,557	159,060	270,738	520,879
Francis O. Monera	Common	1,203,497	146,705	-	1,350,202
Rodelito J. Ocampo	Common	1,047,008	51,667	-	1,098,675
Ma. Rowena Victoria M. Tomeldan	Common	1,466,066	259,202	431,900	1,293,368
Solomon M. Hermosura	Common	480	-	-	480
Angelica L. Salvador	Common	698,560	120,015	-	818,575
Romeo T. Menpin Jr.	Common	191,580	137,268	54,580	274,268
William Thomas F. Mirasol	Common	311,810	-	140,000	171,810
Leovigildo D. Abot	Common	-	363,189	-	363,189
Laurent P. Lamasuta	Common	-	-	-	4,190,075
June Vee D. Monteclaro- Navarro	Common	112,218	-	58,100	54,118

**Retired effective December 31, 2014*

External Quality Assurance Review

Internal Auditing Standard 1312 of the Institute of Internal Auditors (IIA) requires that external assessments of the internal audit function be conducted by a qualified independent reviewer or review team from outside the Company at least once every five years.

An external assessment opinion by Punongbayan &Araullo (P&A), a member firm within Grant Thornton International Ltd. in 2012 concluded that the Company's internal audit activities generally conform to the International Standards for the Professional Practice of Internal Auditing (ISPPIA) as issued by the Institute of Internal Auditors (IIA).

Aside from compliance with IIA's International Professional Practices Framework which includes the definition of Internal Auditing, the ISPPIA and the Code of Ethics, the External Quality Assurance Review covered the assessment of Internal Audit's compliance with its charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements; expectations of the Internal Audit as expressed by stakeholders (includes the Board of Directors and Audit Committee, Senior Management and internal audit clients); integration of the Internal Audit into the organization's governance process, including the attendant relationships between and among the key groups involved in that process; tools and techniques employed by the Internal Audit; mix of knowledge, experience, and disciplines within the staff, including staff focus on process improvement; and areas on which the Internal Audit is able to add value to help improve the organization's operations. G4-33

Independent Public Accountants

The principal accountant and external auditor of the Company is the accounting firm of SGV, with Ms. Jessie D. Cabaluna as the Partner-in-Charge for the 2014 audit year.

Audit and Audit Related Fees

The Company and its various subsidiaries and affiliates paid SGV 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 annual stockholders' meetings.*

Financial Reporting

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The accounting policies adopted in 2014 are consistent with those of the previous financial year, except for the implementation of new and amended PFRS which became effective January 1, 2015. These changes in Accounting Policies are fully explained in the Notes to the Audited Consolidated Financial Statements, beginning on page 105.

Medium of Communications

We address the various information requirements of the investing public through our Investor Communications and Compliance Division, which reports directly to the Chief Finance Officer (CFO).

Quarterly Briefings and One-on-one Meetings

We conduct quarterly briefings for both equity and credit analysts and communicate directly with institutional and individual investors through one-on-one meetings, conference calls and written communications such as electronic mail.

Analysts and investors who are unable to attend our quarterly briefings in person are also invited to participate through a teleconference facility.

We also have a continuing program of enhancing our Investor Relations website, which includes the podcasts of our quarterly briefings.

Media briefing

Investors' site visit

Property Tours and Site Visits

Ayala Land welcomes analysts and investors to have an actual visit of various Ayala Land property developments on a scheduled basis.

Roadshows and Conferences

Throughout the year, our CEO, CFO, Head of Investor Communications and Compliance, and other members of senior management (where appropriate) make themselves available for meetings with institutional investors through pre-arranged company visits, teleconferences, analyst briefings and attendance in local and international investor conferences, corporate days and non-deal roadshows.

In 2014, senior management met with institutional investors and fund managers in 24 conferences and corporate day events held in Manila, Singapore, Hong Kong, Kuala Lumpur, Tokyo, Sydney, London, Edinburgh, Paris, Frankfurt, Boston, San Francisco and New York.

Company Website

All information on Corporate Governance and Investor Relations related matters are available online at *ir.ayalaland.com.ph*.

Media Briefings

Our Corporate Communications Division engages the media on a regular basis through multiple channels such as media conferences, briefings, news releases, fact sheets, social gatherings, one-on-one meetings and through third-party consultants.

We occasionally support media initiated causes and events that are aligned with our principles and advocacies.

Responsibilities of the Board

G4-42

Board Duties and Responsibilities

The Board is the supreme authority on matters of governance and in managing the business of the Corporation. It shall be the Board's responsibility to promote and adhere to the principles and best practices of corporate governance and to foster the long-term success of the Corporation and secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders.

The Board shall have the following duties, powers and attributes, in addition to those assigned to it by the Corporation Code or other applicable law and the By-Laws which are not set forth herein:

(a) Determine the period, manner and conditions under which the Corporation shall engage in the kinds of business comprised in the second Article of the Articles of Incorporation;

(b) Review the Vision and Mission statement of Corporation every year;

(c) Determine the manner in which the capital shall be invested, subject to the provisions of the Articles of Incorporation and By-Laws;

(d) Make rules for the internal regulation of the Corporation;

(e) Create committees and other bodies it may deem advantageous or necessary in running the affairs of the Corporation; appoint advisory directors who can participate in Board deliberations but whose functions shall strictly be advisory and are non-voting; appoint Executive Vice-Presidents, Senior Vice-Presidents, Vice-Presidents and Assistant Vice-Presidents, who need not necessarily be members of the Board, Attorney's-in-Fact, Managers, Assistant Managers, Assistant Secretaries and Legal Counsel for the Corporation, Members of the Proxy Validation Committee, and fix their duties and powers;

(f) Determine the creation of branches, agencies, office departments of any class, under the conditions it may deem convenient;

(g) Decide as to the safekeeping of the funds of the Corporation, open current accounts, fixed deposit accounts and savings accounts with any bank authorized to operate in the Philippines and/or abroad;

(h) Approve the budgets and general expense accounts of the Corporation each year;

(i) Fix annually the percentage to be written off on all capital expenditures of the Corporation such as buildings, furniture and fixtures, etc. and determine the distribution of profits and dividends;

(j) Submit annually to the regular general meeting of stockholders the Balance Sheet, Income Statement and Annual Report on the condition of the Corporation;

(k) Call special meetings;

(l) Authorize any other person or persons it may deem fit to purchase, sell or mortgage the real or personal properties of the Corporation;

(m) Authorize any other person or persons it may deem fit to cancel mortgages or pledges executed as securities for loans and bonds when the mortgages have been repaid to the Corporation and when the bonds have been cancelled;

(n) Determine the time and manner of issuance of unissued stocks of the Corporation;

(o) Fix the budget of administration expenses;

(p) Determine the manner and conditions under which employees of the Corporation shall be granted pensions, retirement gratuity or life insurance protection;

(q) Institute, maintain, defend, compromise or drop any litigation in which the Corporation or its officers may be interested in as plaintiff or defendant in connection with the business of the Corporation and grant extension of time for the payment or settlement of any indebtedness in favor of the Corporation;

(r) Settle any doubts that may arise relative to the interpretation of the Corporation's By-Laws and supply any omissions, reporting thereon to the stockholders' general meeting for such action as it may see fit to take;

(s) Conduct an annual assessment of the performance of the Board, its individual members, its committees, the President and CEO, and its other key officials; adopt a clear procedure and criteria to be used for the performance assessment; and engage an external consultant to facilitate the Board assessment at least once every three (3) years;

(t) Ensure that all directors, executives and employees adhere to the Corporation's Code of Ethics;

(u) Obtain a regular update from the Corporation's Management Committee on any issues concerning the Corporation's strategy, risk management and compliance; and the status of the implementation of the Corporation's strategy including variances from the approved plans and targets;

(v) Based on the report by the Audit Committee, and with the help of independent directors, approve the financial statements of the Corporation;

(w) Approve the annual plans and budget of the Corporation, as well as the corresponding investments and personnel movements;

(x) Approve individual transactions or projects that are worth at least one billion pesos;

The Board is guided by the Corporation's mission and vision in the fulfillment of its functions.

The Board conducts a review of the Company's vision and mission, strategies and corporate governance practices on an annual basis and provides for necessary improvements. In line with this, the Board also ensures the adequacy of internal controls and risk management practices, accuracy and reliability of financial reporting, and compliance with applicable laws and regulations together with the implementation of the Company's Code of Ethics.

Board Structure

G4-34

The Board is composed of nine (9) members (each a "member" or "director"), more than 50 percent of whom are independent and/or non-executive directors. Independent directors may serve for a period of not more than nine (9) years.

Independent Directors

Each independent director holds no interest and relationship with the Corporation that may hinder his or her independence from the Corporation or management or interfere with his or her exercise of independent judgment in carrying out the responsibilities of a director. Independent directors submit to the Corporate Secretary a letter of confirmation stating that he or she holds no interests affiliated with the Corporation, management or controlling shareholder at the time of his or her election or re-election as a director. Moreover, for purposes of compliance with the legal requirement on independent directors,

(a) Officers, executives and employees of the Corporation may be elected as directors but cannot and shall not be characterized as independent directors;

Ayala Land Board of Directors

Director	Position	Nature of Appointment
Fernando Zobel de Ayala	Chairman	Non-executive
Jaime Augusto Zobel de Ayala	Vice Chairman	Non-executive
Antonino T. Aquino	Director	Non-executive
Bernard Vincent O. Dy	Director	Executive
Francis G. Estrada	Director	Non-executive/Independent
Jaime C. Laya	Director	Non-executive/ Independent
Delfin L. Lazaro	Director	Non-executive
Rizalina G. Mantaring	Director	Non-executive/ Independent
Vincent Y. Tan	Director	Non-executive

(b) If a director elected or appointed as an independent director subsequently becomes an officer or employee of the Corporation, the Corporation shall forthwith cease to consider him or her as an independent director;

(c) If the beneficial security ownership of an independent director in the Corporation or in its related companies exceeds two (2) percent, the Corporation shall forthwith cease to consider him or her as an independent director until the beneficial security ownership of the director is reduced to two (2) percent or lower; and

(d) Independent directors are not entitled to receive options, performance shares and bonuses except pursuant to a resolution approved by stockholders owning at least a majority of outstanding capital stock.

The Corporation shall, as appropriate, provide each independent director with technical support staff to assist him or her in performing his duties.

An independent director may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform his or her duties. The Corporation shall cover the reasonable expenses in providing such support.

As a company listed in the PSE, Ayala Land exceeds the regulatory requirement of having at least two independent directors on the Board. Ayala Land has three independent directors equivalent to thirty three (33) percent of the nine-man board.

Full Profile of Ayala Land Board of Directors

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)	Elected when (Annual / Special Meeting)	No. of years served as director
Fernando Zobel de Ayala	NED	Ayala Corp.	Dolores Danila	4/1999	04/7/2014	Annual Meeting	15 (Chairman)
Jaime Augusto Zobel de Ayala	NED	Ayala Corp.	Dolores Danila	6/1988	04/7/2014	Annual Meeting	25
Antonino T. Aquino	NED	Ayala Corp.	Dolores Danila	4/2009	04/7/2014	Annual Meeting	5
Bernard Vincent O. Dy	ED	Ayala Corp.	Dolores Danila	4/2014	04/7/2014	Annual Meeting	-
Francis G. Estrada	ID	N.A	Dolores Danila*	4/2008	04/7/2014 - 6 years	Annual Meeting	6
Jaime C. Laya	ID	N.A	Dolores Danila *	4/2010	04/7/2014 - 4 years	Annual Meeting	4
Delfin L. Lazaro	NED	Ayala Corp.	Dolores Danila	4/1996	04/7/2014	Annual Meeting	18
Rizalina G. Mantaring	ID	N.A	Dolores Danila*	4/2014	04/7/2014 Newly Elected	Annual Meeting	-
Vincent Y. Tan	NED	Ayala Corp.	Dolores Danila	4/2014	04/7/2014	Annual Meeting	-

** Is not related to the independent directors*

Board Committees

G4-34, G4-38, G4-45, G4-46, G4-53

The Board may create such committees (each a "Board committee") as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws and to aid in good governance.

The Board may delegate part of its rights and responsibilities to any of its committees. The committees shall be composed of Board members specifically chosen for their particular background and areas of expertise that will allow them to adequately perform the functions assigned to their committee. The rights and responsibilities of each Board committee may be defined in greater detail in specific committee charters duly approved by the Board.

The Board adopts, for each Board committee a charter providing, among others, the composition of the Board Committee, the qualifications of the members, the powers, duties and responsibilities of the Board Committee and the rules governing the exercise of those powers or performance of the duties and responsibilities.

The Board constitutes an Executive Committee, an Audit Committee, a Risk Committee, a Nomination Committee, a Personnel and Compensation Committee, a Related Party Transactions Review Committee, and a Sustainability Committee.

Executive Committee

The Board may appoint from among its members an Executive Committee composed of not less than three (3) members, a majority of whom shall be citizens of the Philippines, and shall designate one of such members as Chairman of the Executive Committee.

Members of Executive Committee

Director	Designation
Fernando Zobel de Ayala	Chairman (NED)
Jaime Augusto Zobel de Ayala	Member (NED)
Antonino T. Aquino	Member (NED)
Bernard Vincent O. Dy	Member (ED)
Delfin L. Lazaro	Member (NED)

The Executive Committee has to be composed in such a way that it possesses, as a group, the necessary knowledge, skills and experience required to properly perform its duties.

The Executive Committee shall regularly review its composition, taking into account the evolving requirements of the Company, and best practices in corporate governance.

The Executive Committee, in accordance with the authority granted by the Board, or during the absence of the Board, shall act on a minimum quorum of at least two-thirds (2/3) of its members on such specific matters within the competence of the Board of Directors as may from time to time be delegated to the Executive Committee in accordance with the Corporation's By-Laws, except with respect to:

i. approval of any action for which shareholders' approval is also required; filling of vacancies in the Board or in the Executive Committee;

ii. the amendment or repeal of By-Laws or the adoption of new By-Laws;

iii. the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable;

iv. distribution of cash dividends; and

v. the exercise of powers delegated by the Board exclusively to other committees, if any.

An act of the Executive Committee which is within the scope of its powers shall not require ratification or approval for its validity and effectivity, provided however that the Board of Directors may at any time enlarge or redefine the powers of the Executive Committee.

The Executive Committee shall perform such other functions as may be properly delegated to it by the Board.

The Executive Committee shall be guided by the Company's mission and vision in the fulfillment of its functions.

Audit Committee

The Committee consists of three (3) directors entirely non-executive, majority of whom are independent directors. An independent director is the chair of the Committee and is responsible for ensuring the effective interaction among Committee members and with Management and the internal and independent auditors. Each member has an adequate understanding of accounting and auditing in general and of the Corporation's financial management systems and environment in particular. At least one (1) member has an auditing experience and accounting expertise.

Members of Audit Committee

Director	Designation
Jaime C. Laya	Chairman (ID)
Antonino T. Aquino	Member (NED)
Rizalina G. Mantaring	Member (ID)

The Committee supports the corporate governance process through the provision of checks and balances. Specifically, it shall be responsible for the following:

Financial Reporting

i. Reviewing the financial statements and all related disclosures and reports certified by the Chief Financial Officer and released to the public and/or submitted to the SEC and for compliance with both the internal financial management handbook and pertinent accounting standards, including legal and regulatory requirements.

ii. Reviewing the quarterly, half-year and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, tax, legal, and stock exchange requirements.

iii. Reviewing and approving management representation letter before submission to the independent auditor.

iv. Ensuring that a transparent financial management system, supported by a Procedures and Policies Handbook that will be used by the entire organization is established, to ensure the integrity of internal control activities throughout the Corporation.

v. Elevating to international standards the accounting and auditing processes, practices and methodologies.

vi. Ensuring that actions and measures, in case error or fraud is found in the financial statements and related disclosures, are in place and followed.

vii. Reviewing unusual or complex transactions including all related party transactions.

viii. Communicating with legal counsel covering litigation, claims, contingencies or other significant legal issues that impact the financial statements.

Internal Audit

i. Reviewing and approving the Internal Audit Charter and subsequent revisions thereto for approval of the Board. The Internal Audit Charter shall be periodically reviewed to ensure alignment with the International Standards for the Professional Practice of Internal Auditing (ISPPIA).

ii. Setting up the Internal Audit Division, including the appointment of the Chief Audit Executive (CAE). The Committee shall establish and identify the reporting line of the CAE so that the reporting levels allow the internal audit activity to fulfill its responsibilities. The CAE shall report directly to the Committee functionally. The Committee, having appointed the CAE, shall also concur in his/her replacement, re-assignment or dismissal. The Committee shall set up the qualification criteria for internal auditors.

iii. Ensuring that the Internal Auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by their function and that the Internal Audit Division shall be free from interference in determining its scope, performing its work and communicating its results.

iv. Approving the Annual Internal Audit Work Plan and all deviations therefrom, ensuring that the audit resources are reasonably allocated to the areas of highest risk.

v. Reviewing reports of the Internal Auditors and regulatory agencies, where applicable, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal control and compliance issues.

vi. Reviewing Internal Audit Division's periodic reports and the Internal Audit Annual Report. Periodic reports shall highlight the status of projects in accordance with the audit plan approved by the Committee, as well as any unplanned projects. Such reports shall include a summary of key findings and recommendations, including the status of implementation. The Annual Report shall discuss the Internal Audit Division's activities and performance relative to the audit plans and strategies approved by the Committee.

vii. Conducting separate meetings with the CAE to discuss any matter that the Committee or the auditors may deem necessary to be discussed privately.

viii. Providing inputs on the performance of the Internal Audit Division and communicating or discussing such inputs with the Chief Finance Officer (CFO) who shall then translate these into a performance appraisal applicable to the CAE and the Internal Auditors taken as a whole.

ix. Instituting special investigations as necessary, and if appropriate, hiring special counsel or experts to provide the necessary assistance.

x. Reviewing evaluation of compliance with the Code of Conduct for management.

Independent Audit

i. Recommending the appointment and removal of the Independent Auditors and the fixing of their remuneration to the Board. The Committee shall conduct an assessment of independence and professional qualifications and competence of the independent auditor and ensure that a rotation process is observed in the engagement of independent auditor.

ii. Reviewing and pre-approving the Independent Auditor's plans one (1) month before the conduct of external audit to understand the basis for their risk assessment and financial statement materiality, including the scope and frequency of the audit. In this regard, the Committee shall discuss with the Independent Auditors, before the audit commences, the nature and scope of the audit, and ensure cooperation when more than one professional service firm is needed. In addition, the Committee shall review compliance of independent auditor with auditing standards.

iii. Monitoring the coordination of efforts between the independent and internal auditors.

iv. Reviewing the reports of the Independent Auditors and regulatory agencies, where applicable, and ensuring that management is taking appropriate corrective actions in a timely manner, including addressing control, governance and compliance issues.

v. Conducting a separate meeting in executive session, with the Independent Auditors to discuss any matter that the Committee or Independent Auditors believe should be discussed privately, including the results of the audit, year-end financial statements, the quality of management, financial and accounting controls.

vi. Reviewing and approving the proportion of audit versus non-audit work both in relation to their significance to the Independent Auditor and in relation to the Corporation's year-end financial statements, and total expenditure on consultancy, to ensure that non-audit work will not be in conflict with the audit functions of the Independent Auditor. The amount of both audit and non-audit work of Independent Auditors shall be disclosed in the annual report.

vii. Ensuring that there is a process in place for understanding disagreements between the independent auditor and the management of the Corporation.

Risk Committee

The Committee is composed of three (3) members, at least one of whom is an independent director who is the Chairman. Each member possesses an adequate understanding of the management, assessment and mitigation of risks to which the Corporation is or may be exposed to.

Members of Risk Committee

Director	Designation
Rizalina G. Mantaring	Chairman (ID)
Antonino T. Aquino	Member (NED)
Jaime C. Laya	Member (ID)

The Committee shall have the following authority, roles and responsibilities:

i. Ensure that an overall set of risk management policies and procedures exist for the Corporation.

ii. Review the adequacy of the Corporation's risk management framework / process.

iii. Review the results of the annual risk assessment done by the Chief Risk Officer(CRO), including the risks identified and their impact or potential impact on the Corporation's business and the corresponding measures to address such risks.

iv. Evaluate the risk assessment report submitted by the CRO on a periodic basis, which may include existing and emerging risks faced by the Corporation and/or its subsidiaries as well as the risk mitigation strategies and action plans adopted by Management.

v. Monitor the risk management activities of the Corporation and evaluate the effectiveness of the risk mitigation strategies and action plans, with the assistance of the internal auditors. This includes ensuring that the Corporation maintains a framework for fraud prevention and detection (i.e. whistleblower Program) and plans for business continuity (i.e. Business Continuity Plan)

vi. Meet periodically with Management to discuss the Committee's observations and evaluation on its risk management activities.

Nomination Committee *G4-40*

The Committee is composed of at least three (3) members and as far as practicable, with independent directors as majority.

Members of Nomination Committee

Director	Designation
Francis G. Estrada	Chairman (ID)
Antonino T. Aquino	Member (NED)
Fernando Zobel de Ayala	Member (NED)

The Committee has the following powers, duties and responsibilities:

i. Establish and maintain a process to ensure that all candidates/nominees to be nominated for election as directors at the Annual Stockholders' Meeting are qualified in accordance with the By-laws, Manual of Corporate Governance and relevant laws, rules and regulations and possess none of the disqualifications stated in the Corporation's Revised Code of Corporate Governance.

ii. Encourage the selection of a mix of competent directors, each of whom can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. In the selection of candidates, the objectives set by the Board regarding its composition are to be seriously considered, as well as the required knowledge, abilities and experience needed to successfully manage the Corporation. Careful attention is given to ensure that there is independence and diversity, and appropriate representation of women in the Board, subject to the possession of the knowledge, abilities and experience determined by the Board as necessary for the Board to properly perform its functions.

iii. Review and evaluate the qualifications of persons nominated to positions in the Corporation which require appointment by the Board, and provide guidance and advice as necessary for the appointments of persons nominated to other positions.

iv. Review and disclose succession plans for members of the Board, and officers for the position of Group Directors to the President/CEO.

v. Provide assessment of the Board's effectiveness in directing the process of renewing and replacing Board members and in appointing officers or advisors and develop, update as necessary and recommend to the Board policies for considering nominees for directors, officers or advisors.

vi. Discharge any other duties and responsibilities delegated to the Committee by the Board from time to time. The Committee shall be guided by the Corporation's mission and vision in the fulfillment of its functions.

Process and Criteria for Nominations to the Board

The Committee shall observe the following process and criteria in receiving and evaluating nominations to the Board in line with the Corporation's strategic directions :

1. Receive all written nominations to the Board submitted by stockholders at least thirty (30) business days before the date of the next annual meeting of the stockholders.

2. Review and evaluate the qualifications of all those nominated in accordance with the following criteria:

   (a) ownership of at least one (1) share of stock of the Corporation standing in his name in the books of the Corporation;

   (b) a college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;

(c) relevant qualification, such as previous business experience, membership in good standing in relevant industry, and membership in business or professional organizations;

(d) integrity, probity, diligence and assiduousness in the performance of his functions;

(e) directorships in other companies, taking into account the following factors:

(i) the nature of the business of the Corporation;

(ii) the number of directorships in other companies;

(iii) any possible conflict of interest; and

(iv) the age of the director;

(f) for independent directors, beneficial equity ownership in the Corporation or in its related companies, which must not exceed two (2) percent and;

(g) the term limit set for independent directors under applicable laws, rules and regulations.

The Committee may consider and recommend to the Board other qualifications for directors, including independence criteria or standards for independent directors, which are aligned with the Corporation's vision, mission and corporate strategy that are now or may hereafter be provided in relevant laws or any amendments thereto.

The Committee may likewise identify and recommend qualified individuals for nomination and election to the Board. For this purpose, the Committee shall make use of professional search firms or other external sources of candidates to search for qualified candidates to the Board.

Personnel and Compensation Committee

The Personnel and Compensation Committee is composed of at least three (3) members, and as far as practicable, with majority as independent directors. The Chairman of the Committee is an independent director.

Members of Personnel and Compensation Committee

Director	Designation
Francis G. Estrada	Chairman (ID)
Fernando Zobel de Ayala	Member (NED)
Jaime Augusto Zobel de Ayala	Member (NED)
Antonino T. Aquino	Member (NED)

The Personnel and Compensation Committee shall have the following powers, duties and responsibilities:

i. Establish a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, and provide oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Corporation's culture, strategy and control environment.

ii. Designate the amount of remuneration, which shall be in a sufficient level to attract and retain directors and officers who are needed to run the Corporation successfully.

iii. Establish a formal and transparent procedure for developing a policy on remuneration packages of individual directors, if any, and officers, which policy shall disallow independent directors from receiving options, performance shares and bonuses.

iv. Develop a Full Business Interest Disclosure as part of the pre-employment requirements for all incoming officers, which among others compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of duties once hired.

v. Provide for the Corporation's annual reports, information and proxy statements a clear, concise and understandable disclosure of compensation of its executive officers for the previous fiscal year and the ensuing year.

vi. Review and recommend changes to the existing Human Resources Development or Personnel Handbook, to strengthen provisions of conflict of interest, salaries and benefits policies, promotion and career advancement directives and compliance of personnel concerned with all statutory requirements that must be periodically met in their respective posts.

vii. Provide for the Corporation's annual report the fee structure of non-executive directors, and ensure that independent directors are not entitled to receive options, performance shares and bonuses.

viii. Ensure that the Corporation's compensation policy is competitive and aligns the long term interests of the corporate officers and directors with those of the Corporation.

ix. Ensure that executive compensation is based on a fair and transparent performance evaluation process.

No member of the Personnel and Compensation Committee will act to fix his or her own compensation except for uniform compensation to directors for their services as a director.

Related Party Transactions Committee

To ensure that the policy on related party transactions is practiced and complied with, an assessment is undertaken of related party transactions as they happen. In accordance with the Charter of Board of Directors, the Audit Committee is constituted as the Committee responsible to oversee and review the propriety of related party transactions and their required reporting disclosures.

Members of Related Party Transactions Review Committee

Director	Designation
Jaime C. Laya	Chairman (ID)
Antonino T. Aquino	Member (NED)
Rizalina G. Mantaring	Member (ID)

The Audit Committee shall review all the information reported by Management and shall consider all of the relevant facts and circumstances available, including but not limited to the following:

i. The terms of the transaction, which should be fair and to the best interest of the Corporation and no less favorable than those generally available to non-related parties under the same or similar circumstances.

ii. The aggregate value of the related party transaction.

iii. Extent of the Related Party's interest in the transaction.

iv. Whether the related party transaction would present an improper conflict of interests or special risks or contingencies for the Corporation or the Related Party, taking into account the size of the transaction, the overall financial position of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the nature of any proposed relationship.

v. Any other relevant information regarding the transaction.

The Audit Committee shall approve related party transactions before their commencement. However, material or significant related party transactions will have to be endorsed by the Audit Committee to the Board for approval. Materiality thresholds applicable to related party transactions are to be defined and endorsed by the Audit Committee to the Board.

The Board may, at its option, require that a related party transaction it has approved, be also submitted to the stockholders for consideration and ratification.

Sustainability Committee *G4-35, G4-36, G4-48*

The Committee is composed of at least three (3) members as determined by the Board. The Committee is composed in such a way that it possesses, as a group, the necessary knowledge, skills and experience required to properly perform its duties.

Members of Sustainability Committee

Director	Designation
Jaime C. Laya	Chairman (ID)
Rizalina G. Mantaring	Member (ID)
Bernard Vincent O. Dy	Member (ED)

The Company recognizes sustainable development as the foundation for a high-performing, successful and forward-looking business. It adopts the Brundtland Report's definition of "sustainable development" as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Ayala Land seeks to embed a conscious understanding of economic, social and environmental interdependencies to create long term value for its stakeholders.

Ayala Land recognizes sustainable development as the foundation for a high-performing, successful and forward-looking business.

The Sustainability Committee has the following powers, duties and responsibilities:

i. Provide oversight, identify and assess significant social, ethical and environmental interdependencies that might impact on the long-term business objective of Ayala Land to be recognized as a responsible and sustainable Corporation in the property sector.

ii. Guide policy-making in the Corporation's sustainability program and ensure full Corporation support and alignment with the Ayala Group of Companies' commitment to sustainable development.

iii. Regularly monitor new and innovative technologies, processes and practices that will permit the Corporation to attain sustainable growth.

iv. Regularly review both current and proposed partnerships and relationships with stakeholders that support the Corporation's sustainable growth.

v. Regularly evaluate the Corporation's communication and marketing strategies related to sustainable growth.

vi. Review the sustainability-related content of the Corporation's annual report prior to its issuance.

COMMITTEES / MEMBERS	RESPONSIBILITIES / ACCOMPLISHMENTS in 2014
EXECUTIVE COMMITTEE Fernando Zobel de Ayala *(Chairman)* Jaime Augusto Zobel de Ayala Antonino T. Aquino Delfin L. Lazaro Bernard Vincent O. Dy *(elected on 7 April 2014 to replace Mr. Oscar Reyes)*	• Acts on specific matters delegated by the Board of Directors except with respect to the following: distribution of cash dividends; filling of vacancies on the Board or in the Executive Committee; amendment or repeal of By-Laws or the adoption of new By-Laws; amendment of or repeal of any resolution of the Board of Directors; and the exercise of powers delegated by the Board exclusively to other committees. • Discusses in detail strategic plans and directions • Deliberated on, among others, various projects and business proposals.
NOMINATION COMMITTEE Francis G. Estrada *(Chairman- elected on 7 April 2014 to replace Mr. Oscar Reyes)* Fernando Zobel de Ayala Antonino T. Aquino	• Implements and maintains a process which ensures that all directors nominated for election at the Annual Stockholders' Meeting have all the qualifications and none of the disqualifications for directors as stated in the By-Laws and the Manual of Corporate Governance. • Reviews the qualifications of key executives prior to movement, promotion or hiring • Reviewed the profiles of the nominees for directors for the year 2014-2015, approved the final list of nominees and approved the appointments and promotions of key officers.
PERSONNEL AND COMPENSATION COMMITTEE Francis G. Estrada *(Chairman)* Fernando Zobel de Ayala Jaime Augusto Zobel de Ayala Antonino T. Aquino *(elected on 7 April 2014 to replace Ms. Mercedita Nolledo)*	• Establishes a formal and transparent process for developing and reviewing policies related to the remuneration of corporate directors, officers and other key personnel. • Approved the grant of the 2014 performance bonus, Executive Stock Ownership Plan (ESOWN) and Executive Housing Privilege (EHP) to qualified officers of the Company (Approved on 11 Feb. 2015 meeting).
AUDIT COMMITTEE Jaime C. Laya *(Chairman effective 7 April 2014)* Antonino T. Aquino *(member effective 7 April 2014)* Rizalina G. Mantaring *(member effective 7 April 2014)* *Please note that on 11 August 2014 Audit Committee meeting, the revision on the Audit Committee Charter was approved to implement the separation of the Risk Committee.* *Last 7 Nov. 2014 meeting of the Audit Committee, Ms. Rizalina Mantaring, Messrs. Antonino Aquino and Jaime Laya were elected members of the Risk Committee with Ms. Mantaring as the Chairman.*	• Assists the Board of Directors in the fulfilment of its oversight responsibility relating to the accuracy of the Company's financial statements and the soundness of its financial reporting process, the robustness of its internal control and risk management systems and processes, internal audit activities, the annual independent audit of the financial statements, and compliance with legal and regulatory requirements. • Reviewed and approved the 2014 Audited Financial Statements of the Company as prepared by the external auditors Sycip, Gorres, Velayo & Co. (SGV), as well as the quarterly unaudited financial statements. • The Committee gave its recommendation on the re-appointment of SGV as the Company's external auditors for 2015 and the corresponding audit fee structure. • The Committee likewise reviewed and/or approved specific matters presented by the Internal Audit Division and SGV. In addition, the Committee reviewed and discussed the Company's enterprise-wide risk management process and risk mitigation plans. • In 2014, the Board, through the Audit and Risk Committee conducted a thorough review of the Company's operational methods, financials controls, compliance procedures and risk management systems. It was determined that all internal processes remain satisfactory and in accordance with best business practices.
SUSTAINABILITY COMMITTEE Jaime C. Laya *(Chairman effective 7 April 2014)* Rizalina G. Mantaring *(member effective 7 April 2014)* Bernard Vincent O. Dy *(member effective 7 April 2014)*	• Provides oversight to the sustainability initiatives of the Company, guides policymaking in the Company's sustainability program, and ensures full Company support and alignment with the Ayala Group of Companies' commitment to Sustainable Development. • Expanded the Company's sustainability program to include disaster risk reduction in land acquisitions, pedestrian/transport connectivity, storm water and ecosystem-sensitive design as well as emergency preparedness. • Approved the preparation of an integrated report based on the Global Reporting Initiative - G4 Sustainability Reporting Guidelines.

Board Processes

Board Meetings and Attendance

Regular meetings of the full Board are scheduled at the onset of the year and held at least once every quarter.

In 2014, the Board had seven regular meetings. The average attendance rate of members of the Board was 92 percent, with each member individually complying with the SEC's minimum attendance requirement of 50 percent. The Executive Committee likewise convenes regularly in lieu of the Board.

The Corporate Secretary

The Corporate Secretary is Mr. Solomon H. Hermosura who assumed the position since April 2011 and has served as the General Counsel of the Company since April 2014.

Board members have separate and independent access to the Corporate Secretary who oversees the adequate flow of information to other Board members prior to meetings and serves as an adviser to the directors on their responsibilities and obligations. Discussions during Board meetings are open, and independent views are encouraged and given due consideration.

It is the duty of the Corporate Secretary, who is a citizen and a resident of the Philippines, to prepare and keep the minutes of all meetings of the Board and stockholders and attend to the correspondence and files of the Corporation; to sign, jointly with the President, all stock certificates; keep and fix the corporate seal; record all transfers of stock and cancellations and keep all stock certificates transferred; and keep a list in alphabetical order of all stockholders of the Corporation and of their residences and the shares owned by each.

The Corporate Secretary has the following functions:

i. Serve as an adviser to the directors on their responsibilities and obligations;

ii. Keep the minutes of meetings of the stockholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the President and other members of the Board as appropriate;

iii. Keep in safe custody the seal of the Corporation and affix it to any instrument requiring the same;

iv. Have charge of the stock certificate book and such other books and papers as the Board may direct;

v. Attend to the giving and serving of notices of Board and shareholder meetings;

vi. Be fully informed and be part of the scheduling process of other activities of the Board;

vii. Prepare an annual schedule of board meetings and the regular agenda of meetings, and put the Board on notice of such agenda at every meeting;

viii. Oversee the adequate flow of information to the Board prior to meetings; and

ix. Ensure fulfillment of disclosure requirements to the Securities and Exchange Commission and the Philippine Stock Exchange.

The Corporate Secretary shall have such other responsibilities as the Board may impose upon him or her, including the facilitation of trainings for directors when necessary.

Directors' Attendance in 2014 *G4-47*

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

Executive Committee Attendance in 2014

Director	No. of Meetings Attended/Held	% Present
Fernando Zobel de Ayala	3/4	75%
Jaime Augusto Zobel de Ayala	3/4	75%
Bernard Vincent O. Dy**	4/4	100%
Antonino T. Aquino	4/4	100%
Delfin L. Lazaro	3/4	75%

Audit and Risk Committee Attendance in 2014***

Director	No. of Meetings Attended/Held	% Present
Oscar S. Reyes*	3/3	100%
Mercedita S. Nolledo*	3/3	100%
Jaime C. Laya	6/6	100%
Aurelio R. Montinola III*	3/3	100%
Antonino T. Aquino **	3/3	100%
Rizalina G. Mantaring **	3/3	100%

Nomination Committee Attendance in 2014

Director	No. of Meetings Attended/Held	% Present
Oscar S. Reyes *	3/4	75%
Fernando Zobel de Ayala	3/4	75%
Antonino T. Aquino	4/4	100%
Francis G. Estrada**	1/1	100%

Personnel and Compensation Committee Attendance in 2014

Director	No. of Meetings Attended/Held	% Present
Francis G. Estrada	2/2	100%
Fernando Zobel de Ayala	1/2	50%
Jaime Augusto Zobel de Ayala	1/2	50%
Mercedita S. Nolledo *	1/2	50%
Antonino T. Aquino **	1/2	50%

Sustainability Committee Attendance in 2014

Director	No. of Meetings Attended/Held	% Present
Jaime C. Laya	1/2	50%
Rizalina G. Mantaring **	2/2	100%
Bernard Vincent O. Dy**	2/2	100%

** Replaced as committee member by other Directors after the April 7, 2014 Organizational Meeting of the Board of Directors*
*** Elected on April 7, 2014*
**** Risk committee was formed last May 2014*

Board Appointments and Re-election

The directors shall be elected by the Corporation's stockholders entitled to vote at their annual meeting in accordance with the By-laws and the rules of procedure for annual meeting of stockholders.

Pursuant to the Corporation Code, any shareholder, including minority shareholders, shall have the right to nominate candidates to the Board. The list of names of the nominees to the Board, together with the written consent of the nominees, shall be filed and submitted to the Nomination Committee through the office of the Corporate Secretary at least thirty (30) business days prior to the date set for the annual meeting of stockholders wherein they will be elected.

For the election of directors, it is necessary for one-half plus one of the outstanding shares of stock to be present or represented.

No person shall be elected nor be competent to hold the office of director unless at least one (1) share of stock of the Corporation shall stand in his name in the books of the Corporation at the time of his election.

The election of directors shall be by ballot and each stockholder may vote such number of shares he owns for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute his votes on the same principle among as many candidates as he may see fit, provided that the total 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.

The Committee of Inspectors of Proxies and Ballots appointed by the Board shall supervise the election of directors. No candidate for the office of director maybe a member of the Committee.

Directors shall hold office for the term of one (1) year or until their successors shall have been elected and qualified, in accordance with the By-Laws. *G4-40*

Board Independence and Conflict of Interest

It is the responsibility of each director to promote the best interest of the Corporation. Therefore, in making decisions, the directors should only pursue the interest of the Corporation, and must not consider their own personal advantage. Each director shall disclose any conflict of interest, annually through the Ayala Land Disclosure Form. A director with any material conflict of interest that has been determined to be permanent in nature shall be disqualified from the Board.

Notwithstanding the precautions set by the annual disclosure of conflict of interest, each director is required to abstain from participating in the discussion of, and from voting on, any matter where he is in conflict of interest at any point during the course of his service.

In line with the insider trading policy of the Corporation, each director is required to notify the Board at least one day before dealing in the shares of stock in the Corporation.

No person shall qualify or be eligible for nomination or election to the Board of if he is engaged in any business which competes with or is antagonistic to that of the Corporation in accordance with the Corporation's By-laws.

At least once a year, the non-executive directors must meet without any executives present.

Directors shall keep confidential all the information contained in the confidential reports or discussions for a period of at least two years. They shall also ensure that all persons who have access to the same information on their behalf shall likewise comply with this rule.

The personal interest of directors, key officers and employees should never prevail over the interest of the Company. If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision-making. If a director has an interest in a matter under consideration by the board, then the director should not participate in those discussions and the board should follow any further appropriate processes. Individual directors should be conscious of shareholder and public perceptions and seek to avoid situations where there might be an appearance of conflict of interest.

The Ayala Land Internal Audit has aligned the policies on conflict of interest of Ayala Land with the subsidiaries and affiliates to facilitate a group-wide implementation. The amended group-wide policy will continue to require strict compliance by all employees to file their Annual Business Interests and Related Party Disclosure forms with their respective Human Resources Division which will then be submitted for consolidation and filing. IAD will then review the disclosures and conduct audit to check compliance. *G4-48*

Remuneration

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 percent) of the net income before income tax of the Corporation during the preceding year.

The total compensation paid to the CEO and key officers of management is disclosed in the Definitive Information Statement sent to all shareholders. The total annual compensation reported includes the basic salary and other variable pay, such as performance-based cash bonuses and the exercise of previously granted Employee Stock Option Plans or the current ESOWN, if any.

Non-executive directors receive remuneration consisting of a fixed annual retainer fee of Php1,000,000 and a fixed per diem of Php200,000 for each regular Board meeting attended. There were a total of seven regular Board meetings in 2014. In addition, non-executive directors are also entitled to a per diem of Php100,000 per Board Committee meeting attended. The remuneration of non-executive directors was approved and ratified during the 2014 Annual Stockholders' Meeting.

None of the directors, in his or her personal capacity, has been contracted and compensated by the Company for services other than those provided as a director. The Company has no other arrangement regarding the remuneration of its directors and officers aside from the compensation received as herein stated. *G4-51, G4-52*

Director Compensation

Director	Gross Remuneration
Antonino T. Aquino	2,516,667
Francis G. Estrada	2,700,000
Jaime C. Laya	3,100,000
Rizalina G. Mantaring	2,300,000
Vincent Y. Tan	1,475,000

Internal Audit

The Ayala Land Group Internal Audit, headed by Mr. Leovigildo D. Abot as Vice President and Chief Audit Executive, reports to the Audit Committee of the Board. The Ayala Land Group Internal Audit provides independent and objective assurance and advisory services to the Company. Through the Audit Committee, the Ayala Land Group Internal Audit assists the Board in the discharge of its duties and responsibilities as provided for in the SEC's 2009 Revised Code of Corporate Governance.

The Ayala Land Group Internal Audit executed its audit activities for 2014 in accordance with the risk-based, process-focused audit approach. This approach is in accordance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and likewise complies with the SEC's 2009 Revised Code of Corporate Governance.

The Company continues to improve the internal audit function by benchmarking against best practices. For example, Ayala Land Group Internal Audit is implementing Control Self Assessments (CSA) as regular audit projects in some business units using facilitated discussions and questionnaires (hybrid approach). CSA is a process through which internal control effectiveness is examined and assessed by the audit client (i.e. process owners) and validated by Internal Audit. The objective is to provide reasonable assurance that all business objectives of business units will be met through the process owners' assessment of how well things work at their end. Overall, we believe that the process resulted in more efficient and effective business processes through improved internal controls and increased employee morale.

Other internal audit best practices adopted by Ayala Land Group Internal Audit include Assurance Mapping and Data Analytics. Assurance Mapping is critical in determining priority audit projects during audit planning phase. Ayala Land Group Internal Audit has also completed the pilot roll out of "Continuous Auditing" by establishing a Data Analytics Unit. Aside from increased assurance (i.e., reviewing 100 percent of critical transactions/data instead of samples), Data Analytics also allow collection of data, audit evidence and indicators from IT systems (SAP and non-SAP), processes, transactions and controls on a frequent, repeatable and sustainable basis.

Risk Management *G4-2, G4-45, G4-46*

With the accelerated pace of growth that the Company has embarked on, it is important that its corporate governance and risk management activities be fully integrated into the Company's management strategies. This has been evident in the significant Board Committee changes that the Company has implemented in 2014, starting with the separation of the Company's Audit and Risk Committee into two Board committees – Risk Committee and Audit Committee.

The Risk Committee has specifically been created to support the Board in the performance of its oversight functions of the Company's risk management activities through continuous input, evaluation and feedback on the effectiveness of the Company's risk management process. This is a big step in ensuring that adequate focus and emphasis is given to the Company's risk management activities through periodic meetings and reports to the Risk Committee.

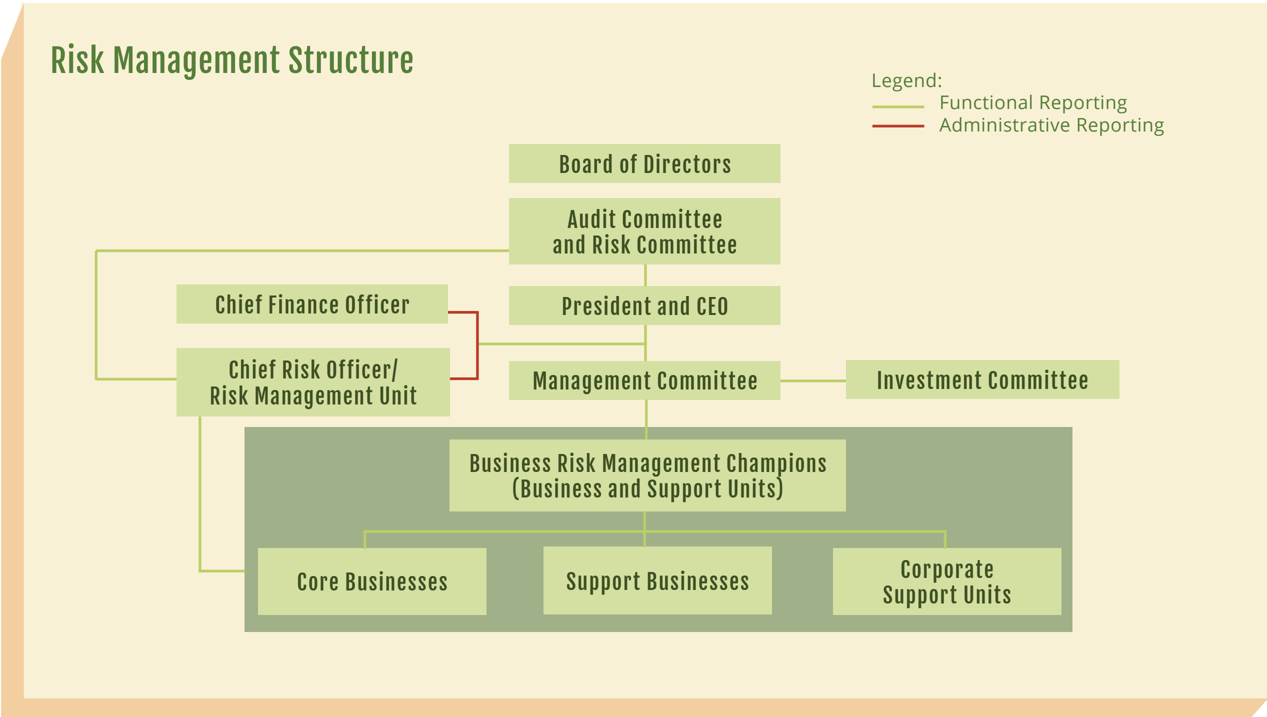
Related to the creation of a separate Risk Committee, a new Risk Committee Charter was crafted and approved by the Board in 2014, which spells out the structure as well as the authority, roles and responsibilities of the Committee.

Enterprise-Wide Risk Management (EWRM) Activities

The Company continues to implement its EWRM program and further works on enhancing its activities through periodic reviews with the strategic business units (SBU) and key support groups.

In 2014, a cross-functional risk assessment was undertaken with the Company's Management Committee as a collegial body to validate the risks identified at each SBU level and those shared by multiple units and ensure that the risk priorities and mitigation activities across the organization are relevant and current with respect to the Company's business objectives and strategies.

Likewise, as part of the initiative to ensure that the Company's risk management activities are at par with industry standards or best practices, a reputable external auditing company, SGV & Co. (SGV), was tapped to determine the appropriateness in approach and maturity level of the Company's risk management program. This activity helped identify improvement opportunities and provide recommendations to address the gaps between the Company's current risk maturity levels and its desired levels based on global benchmarks and models.



Based on the independent validation conducted, SGV assessed the Company's risk management program to be within the following levels:

- In Governance and Organization aspects, Ayala Land's program is at the strategic level (highest), with risk management values and mission clearly communicated throughout the organization and with "Tone at the Top" that extends beyond the organization to key external stakeholders

- In the aspects of Risk Strategy, Reporting, Culture and Communication, Ayala Land is at the operational level, which means policies and processes are institutionalized and consistently applied in the company, but with room for further improvement

Various activities have since been done to elevate the Company's risk maturity level to its desired state. One of the major activities conducted to improve the Company's culture and capability is the conduct of Ayala Land's first Governance, Risk and Compliance Summit. This will be a periodic activity to ensure continuing education for key personnel and employees on their risk management roles and to help in promoting a risk-aware culture within the Company.

Business Continuity Management (BCM)

As a major risk management strategy of the company, the BCM program has consistently been given special focus, with a great deal of planning done at SBU levels to ensure critical services or business operations continue in spite of disaster occurrences based on loss scenarios and a methodology conforming to global standards and at par with best practices.

An important aspect in the BCM program which the company also focused on was in the area of Crisis Communications. In 2014, localized Crisis Management teams have been formed and oriented to handle different levels of crisis events. Trainings, workshops, as well as desktop and actual drills were conducted as part of the training program with serious attention to at least 22 business units which included major malls deemed to be highly probable and prime locations for crisis handling.

Learnings from past events said training activities were then gathered and consolidated for future consideration and reference.

Establishment of the Company's Occupational Safety and Health (OSH) Program

In 2014, the Company has established its central OSH Committee to enhance Ayala Land's safety program at a brand level. The Committee was primarily intended to ensure both regulatory compliance and improvement of the Company's performance on safety, as well as protecting the health of its most valuable asset–its people.

As a major start, an overall Ayala Land Corporate OSH Program has been drafted and cascaded for development to the Company's subsidiaries for program alignment and standardization. This OSH program was developed in accordance with the framework of occupational safety and health management which the Department of Labor and Employment (DOLE) of the Philippines through its Bureau of Working Conditions (BWC) is regulating and driving.

To achieve the Company's objectives in safety and health management, the Company's management shall ensure that programs and actions are in place and are being done religiously via the following;

- Ensuring that all employees and engaged workers (including contracted workers) receive proper orientation and needed training on work and workplace safety before and during their employment or service engagement and as deemed necessary, based on the nature or gravity of the hazard/s in the workplace or activity.

- Putting in place a continuing communications program to keep the level of awareness on occupational safety and health of all employees and contracted workers high, eliminating complacency in job execution and keeping abreast with latest development and learning related to preventing occupational injury and illness and enhancing wellness promotion.

- Providing a system to properly assess, screen and detect workers psycho-physical state, capability and limitations in performing work safely and efficiently before employment or work engagement as well as to effectively monitor employees health and well being with respect to work and workplace hazard or exposures.

- Establishing and consistently enforcing a system of motivating positive attitude and recognizing proper behavior towards contributing to safe work conduct, good health protection and maintenance in all workplaces as well as penalizing improper work behavior or negligent action resulting to occupational injury and/or illness.

- Ensuring that all workplace hazards are proactively and continuously identified and that needed reasonable corrective measures are in-place to prevent or control physical, biological, ergonomic and chemical hazards existing in all work areas or those which are developed as a result of operations or day-to-day activities.

To further promote and effectively ensure adherence to the belief and aspirations of the Company towards occupational safety and health, management shall integrate accident prevention and occupational health maintenance in evaluating the performance of both business and support units. OSH performance shall also be a regular item to be monitored and reported in the Risk Committee meetings and a regular agenda item in the regular Safety Council meetings.

Diversity, Skills and Competencies

The Board encourages the selection of a mix of competent directors, each of whom can add value and contribute independent judgment in the formulation of sound corporate strategies and policies. In the selection of candidates for the Board, the objectives set by the Board for its composition are to be seriously considered, as well as the required knowledge, abilities and experience needed to successfully manage the Corporation. Careful attention is given to ensure that there is independence and diversity, and appropriate representation of women in the Board.

The Board, as a group, possesses the necessary knowledge, skills and competencies and experience in general business, industry, legal, and finance required to properly perform its duties with each director capable of adding value and rendering independent judgment in relation to the formulation of sound corporate policies.

The Board regularly reviews its composition, taking into account the evolving requirements of the Corporation, and best practices in corporate governance.

Development and Training

Ayala Land encourages all Board members to attend orientation programs and continuous professional education programs.

New directors are given an orientation program to ensure that they are properly equipped with all the Company information required for them to fulfill their respective roles as members of the Board. Typically, a presentation about Ayala Land's operations, business performance and financial results is provided followed by an optional tour of Ayala Land's various business segments and projects.

All Directors are likewise encouraged to attend seminars and trainings on Corporate Governance. In 2014, all Board members have undergone training in corporate governance and have been certified by the Institute of Corporate Directors (ICD) and Securities and Exchange Commission (SEC).

Director Training and Continuing Education Program

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Fernando Zobel de Ayala	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Jaime Augusto Zobel de Ayala	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Antonino T. Aquino	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Bernard Vincent O. Dy	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Francis G. Estrada	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Jaime C. Laya	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Delfin L. Lazaro	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Rizalina G. Mantaring	08/19/2014	Corporate Governance & Risk Management	ICD, SEC
Aurelio R. Montinola III	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Mercedita S. Nolledo	02/04/2014	Corporate Governance & Risk Management	ICD, SEC
Oscar S. Reyes	02/04/2014	Corporate Governance & Risk Management	ICD, SEC

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

ICD releases an annual survey based on an independently verified "scorecard" rating of corporate governance for publicly listed companies in the Philippines. Ayala Land topped the ICD Corporate Governance ratings in 2010 with a score of 99 percent and was given a Platinum award for garnering Gold awards (with a score of at least 95 percent) for three consecutive years. The average score of the 214 companies in the 2010 survey was 77 percent. In 2012, ICD decided to fully adopt the ASEAN Corporate Governance Scorecard in preparation for the economic integration by 2015. This move aims to further enhance local corporate governance standards to ensure that Philippine listed firms remain at par with the rest of the region. After its initial run conducted in 2013, which included 252 publicly-listed companies, Ayala Land registered a score of 79.6 percent, topping the average score of 51 percent across all listed entities and also beating the average rating of the property sector, composed of 38 listed corporations, at 48.4 percent.

In 2014, Ayala Land further improved its score to 88.4 percent mainly driven by improvement in corporate governance measures. The Company is determined to continuously improve its corporate governance practices in 2015, with the introduction of key governance initiatives. *G4-16 , G4-43*

Performance Appraisal

One of the tools used by the Board to monitor and improve its performance is an annual self-assessment exercise. This is administered in the form of a formal questionnaire that is answered by each member of the Board and where they rate their individual performance and that of the Board as a whole. The results are compiled by the Compliance Officer and submitted back to the Board for discussion and appropriate action through the Corporate Secretary. This self-assessment survey covers four broad areas of Board performance: Fulfillment of the Board's Key Responsibilities, Quality of the Board–Management Relationship, Effectiveness of Board Processes and Meetings, and the Performance of Individual Board Members. The self-assessment survey questions are reviewed regularly and administered every May (after the Annual Stockholders' Meeting). The Board also conducts its annual assessment of the President and CEO. In 2013, a self-evaluation survey of the various Board committees was likewise introduced, consistent with the format and process implemented for the Board performance review. *G4-44*

People on the Board

Chairman, Vice Chairman and President and CEO

The roles of the Chairman and the Chief Executive Officer (CEO) are separate to ensure Board independence from management, an appropriate balance of power and increased accountability. Of the nine members of the Board, only the President and CEO is an executive director. The rest are non-executive directors who are neither officers nor consultants of the Company. *G4-39*

The Chairman of the Board is Mr. Fernando Zobel de Ayala who assumed the position in April 1999.

The Chairman of the Board shall act as the legal representative of the Corporation and has powers:

i. To execute the resolutions of the stockholders' General meetings and of the Board;

ii. To sign, in accordance with said resolutions, such contracts, instruments and powers of attorney as may be necessary;

iii. To represent the Corporation and vote at the stockholders' meetings or designate proxy on all stocks owned by the Corporation in other corporations or companies;

The Chairman of the Board shall receive such remuneration as may be fixed by the Board each year, aside from that which each director may be entitled to receive.

The Chairman of the Board shall chair all Board meetings, or may assign his alternate in cases when he or she is not available.

The Chairman of the Board shall ensure that each director is allowed to freely express his opinions about any matter being discussed.

The Vice Chairman is Mr. Jaime Augusto Zobel de Ayala and has served as Director and member of the Executive Committee since June 1988. The President and CEO is Mr. Bernard Vincent O. Dy who assumed the position in April 2014.

Management Committee

In addition to the various Board-level committees, the Company has also put in place a management committee to guide the critical decision-making and key governance processes required at the management level in overseeing individual business units, projects and support functions, as shown in our Governance Structure chart. The Company is cognizant of the importance of having clear policies, adopting best practices and maintaining strong internal controls to support effective corporate governance.

Along with the members of the Board, the Company requires members of the Management Committee and other key officers to receive periodic training in corporate governance. As of year-end 2014, all members of the Management Committee and key officers have been certified for having attended accredited corporate governance training programs. We also rolled out in 2010 an internal training module for corporate governance that is attended by all new employees of the Company to effectively broaden their awareness on the principles of good corporate governance.

In 2014, we launched our first ever Governance, Risk Management and Compliance Summit to reinforce the practice of good corporate governance among key members of management. This Summit gave us an opportunity to build on our current strengths and once more align our business practices with our corporate values, which have always served as our competitive advantage.

Corporate Objectives

It is our fundamental belief that adherence to strong governance practices was crucial in attaining our corporate goals. In 2009, the Company communicated to the market a five-year plan which aimed to achieve a net income of Php10 billion and a 15 percent return on equity in five years. With a solid and aggressive expansion program in place, anchored on growth, margin improvement capital efficiency, organization development and brand-building, Ayala Land was able to surpass its bottomline target a full year earlier. On the operations side, the Company is on-track with doubling gross leasable area in shopping centers, tripling office gross leasable area and quadrupling its number of hotel rooms from 2009 levels.

In the last quarter of 2014, the Company announced the new 2020-40 vision with the goal of increasing net income to P40B by 2020 and growing it by 20 percent year-on-year on the back of a more balanced contribution between its Property Development and Commercial Leasing portfolio.

Shareholder Value Creation

Ayala Land also seeks to consistently improve the business fundamentals and prospects in order to deliver increasing value to our shareholders' investments in the Company over time. Our strategies, business models and operating plans are all oriented towards the achievement of consistent progress in our operating and financial results and, therefore, the underlying determinants of firm value. Specific targets relating to key metrics such as growth, profitability, return on equity, asset efficiency and total shareholder return are set and incorporated into the management team's Key Result Areas on a corporate, divisional and individual basis. These are approved, measured and tracked by the Board, and form the basis of management promotions, allocation of a performance-based cash bonus, and ESOWN grants. This process ensures optimal alignment of incentives between shareholders and management.

COMPLIANCE OFFICER

Jaime E. Ysmael, who is our Chief Finance Officer and holds the position of Senior Vice President, is the Compliance Officer designated to ensure adherence with corporate governance best practices as well as compliance with all regulations that cover the Company. Michael D. Garcia, who is our Head for Investor Communications and Compliance Division, is our Deputy Compliance Officer.

ASIA PACIFIC REAL ESTATE ASSOCIATION

As a full member of the Asia Pacific Real Estate Association (APREA), Ayala Land is committed to promoting and preserving best industry practices in the region. To the extent applicable, most of the recommendations by APREA contained in the second edition of the Best Practices Handbook under Market Disclosure, Accounting and Financial Reporting and Corporate Governance categories that are also required under Philippine laws and conform with global accounting and reporting standards, are being adopted by Ayala Land. Further, with respect to Corporate Governance, the Company has received multiple citations from various award-giving bodies in recognition of its adherence to the highest standards and practices.

Ayala Land's First Governance, Risk Management and Compliance Summit held last November 2014
(Left to Right) Project Coordinator for Integrity Initiative and Special Projects Unit Manager of the Makati Business Club, Mr. Jose Cortez, ALI CFO Mr. Jaime Ysmael, Mr. Antonino Aquino of ALI Audit Committee, ICD President Mr. Ricardo Jacinto, ALI President and CEO Mr. Bernard Vincent Dy, ALI Audit Committee Chairman Mr. Jaime Laya, UEMG, KL Head of Internal Audit Mr. Steven Lim, ALI Chief Audit Executive Mr. Leo Abot and ALI Chief Risk Officer Mr. Maphi Tandoc

AWARDS AND RECOGNITION
GOVERNANCE AND SUSTAINABILITY

Award	Award Giving Body
Channel News Asia Green Luminary Award	Channel News Asia
Builder of the Year	Frost and Sullivan
Best Investor Relations (Seventh)	Finance Asia
Best Developer in the Philippines	Southeast Asia Property Awards
Best Overall Developer in the Philippines	Euromoney Real Estate Awards
Best Investor Relations Program (Sell-side)	Institutional Investor
Winner for Strategy and Vision, Sustainable Business Award for the Philippines	Sustainable Business Awards
Best Managed Company (Fourth)	Finance Asia
Best Corporate Governance (Third)	Finance Asia
PSE Bell Awards for Corporate Governance	Philippine Stock Exchange
Green Company of the Year (El Nido Resorts)	Asia CEO Awards
Best for Responsibilities of Management and Board in the Philippines (First)	Asiamoney Corp Gov Poll 2014
Best for Corporate Social Responsibility in the Philippines (Third)	Asiamoney Corp Gov Poll 2014
Best Developer Overall in Philippines	Euromoney
Best Residential Developer	Euromoney
Best Office/ Business Developer in Philippines	Euromoney
Best Mixed Developer in Philippines	Euromoney
Hospitality Destination of the Year (El Nido Resorts)	Asia CEO Awards
Best Overall for Corporate Governance in the Philippines (First)	Asiamoney Corp Gov Poll 2014
Best for Disclosure and Transparency in the Philippines (Second)	Asiamoney Corp Gov Poll 2014
Best for Shareholders' Rights and Equitable Treatment in the Philippines (Second)	Asiamoney Corp Gov Poll 2014
Best for Investor Relations in the Philippines (Third)	Asiamoney Corp Gov Poll 2014
Best Retail Developer in the Philippines	Euromoney
Best Developer in the Philippines	Philippine Property Awards
Philippines’ Triple A CFO of the Year	The Asset Publishing and Research Ltd.

Selected GRI G4 General Standard Disclosures

	Short Description	Page
	Strategy and Analysis	
G4-1	Statement of the most senior decision-maker	10-13
G4-2	Description of key impacts, risk and opportunities	10-13, 14-17
	Organizational Profile	
G4-3	Name of the organization	3
64-4	Primary brands, products, and services	26-42
G4-5	Location of the organization's headquarters	110
G4-6	Number of countries and names of countries where the organization has significant operations	3
G4-7	Nature of ownership and legal form	64, 110
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	3
G4-9	Scale of the organization	3, 6-7, 111-114
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	114-117
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	47
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organizations	90, 92
	Stakeholder Engagement	
G4-24	List of stakeholder groups engaged by the organization	60-62
G4-25	Basis for identification and selection of stakeholders with whom to engage	60-62
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	60-62
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns. Report the stakeholder groups that raised each of the key topics and concerns	60-62
	Report Profile	
G4-28	Reporting period (such as fiscal or calendar year) for information provided	5
G4-29	Date of most recent previous report	2013
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions regarding the report or its contents	5
G4-33	Organization's policy and current practice with regard to seeking external assurance for the report	67
	Governance	
G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	47, 70-80
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	80
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	80
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	60-68
G4-38	Composition of the highest governance body and its committees	47, 81
G4-39	Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement)	71, 90
G4-40	Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members	77-78
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	79-80, 84
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	47,69-80
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	89-90
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment	81,83,90
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes	73-80, 86-87
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	73-80
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	83
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered	80
G4-49	Process for communicating critical concerns to the highest governance body	63-64
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	63-64
G4-51	Remuneration policies for the highest governance body and senior executives	85
G4-52	Process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization	85
G4-53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable	78-79, 85
	Ethics and Integrity	
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	3, 26, 47, 62-64
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines	63-64
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines	63-64

The complete GRI G4 General Standard Disclosures will be included in our Sustainability Report in September 2015.

Management’s Discussion & Analysis of Financial Results and Financial Statements

Management's Discussion and Analysis of Financial Results

Review of 2014 operations vs. 2013

Ayala Land posted a net income after tax (attributable to equity holders of ALI) of ₱14.80 billion for the year 2014, 26 percent higher that the reported net income of P11.74 billion in 2013. Consolidated revenues reached ₱95.20 billion, 17 percent higher year-on-year. Revenues from Real Estate which comprised bulk of consolidated revenues, increased by 17 percent to ₱89.03 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 percent from 7.3 percent year-on-year. Earnings before interest and taxes (EBIT) margin improved to 27.4 percent in 2014 from 25.9 percent 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 ₱61.84 billion in 2014, 19 percent higher than the ₱51.96 billion reported in 2013.

Revenues from the Residential Segment reached P52.26 billion in 2014, 24 percent 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 percent year-on-year to ₱23.10 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 ₱10.38 billion in revenues, 14 percent 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 five percent and 50 percent to ₱13.14 billion and ₱3.63 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 percent to ₱115.6 million, mainly due to solid bookings generated by its projects in General Trias and Alaminos.

Sales take-up in 2014 increased 11 percent, reaching a total of ₱101.7 billion, an all-time high, equivalent to an average monthly sales take-up of ₱8.48 billion. Residential Gross Profit (GP) margins of horizontal projects remained steady at 44 percent while GP margins of vertical developments slightly declined to 33 percent 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 ₱84.5 billion.

In addition, revenue from the sale of office spaces by Alveo and Avida aggregated at ₱4.86 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 percent in 2014 from 39 percent 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 percent year-on-year in 2014 to ₱4.72 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 percent in 2014 from 40 percent 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 ₱21.06 billion in 2014, 18 percent higher than the ₱18.00 billion recorded in the same period last year.

Revenues from Shopping Centers grew by eight percent to ₱11.36 in 2014 from ₱10.48 billion in 2013. 2014 saw a steady increase in monthly average lease rates to ₱1,146 per square meter from ₱1,113 per square meter in 2013, with the opening of new malls and steady rental escalations. Total gross leasable area (GLA) was up 6 percent year-on-year to 1,338,844 sqm while occupied gross leasable area (GLA) was up by 5 percent year-on-year to 1,260,532. Same store rental growth increased by 6 percent. Shopping Centers EBITDA margin improved to 65 percent from 62 percent due to the higher contribution from new malls from higher occupancy and average rental rates.

Revenues from Office Leasing operations increased by 21 percent to ₱4.23 billion in 2014, from ₱3.50 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 sqm while total occupied office GLA expanded to 582,595 in 2014. Average BPO lease rates increased five percent year-on-year to ₱676 per square meter due to rental escalations in existing buildings. EBITDA margins of the total office portfolio improved to 87 percent from 85 percent.

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, 213 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 percent to ₱5.62 billion in 2014 from ₱4.02 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 percent 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 percent year-on-year to ₱6,706 owing to improved occupancy across all resorts. EBITDA margins for Hotels and Resorts increased to 29 percent from 20 percent.

Services. Services which include the Company's wholly-owned Construction and Property Management companies generated combined revenues of ₱29.80 billion in 2014, 22 percent higher than the ₱24.45 billion posted in 2013. Construction revenues grew by 25 percent to ₱28.76 billion with the steady completion of project within the Ayala Land Group. Property Management revenues decreased 31 percent to ₱1.035 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 percent from eight percent in 2013.

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

Equity in Net Earnings from Investees grew by 18 percent to ₱647 million in 2014, from ₱550 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 ₱5.5 billion, due to higher interest income on accretion and installment sales.

Expenses

Total expenses in 2014 amounted to ₱71.34 billion, 14 percent more than the ₱62.56 billion incurred in 2013. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose 15 percent year-on-year amounting to ₱59.40 billion. General and Administrative Expenses (GAE) grew by only five percent to ₱6.20 billion primarily due to payroll and compensation-related expenses, with the GAE-to-revenue ratio declining to 6.5 percent from 7.3 percent last year. Interest Expense, Financing and Other Charges meanwhile increased by 20 percent year-on-year to ₱5.74 billion, mainly attributed to new bond issuances to finance the Company's expansion plans.

Project and Capital Expenditure

The Company spent a total of ₱83.3 billion for project and capital expenditures in 2014, 26 percent more than the ₱66.3 billion spent in 2013. The bulk of capital expenditures was spent on project completion (62 percent of the total) with the remaining balance spent for land acquisition (38 percent). For 2015, the Company has allotted ₱100.3 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.

	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 fair value throug profit or loss)
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

Report of the Audit Committee to the Board of Directors

As Audit Committee members, our roles and responsibilities are defined in the Audit Committee Charter approved by the Board of Directors. We assist the Board of Directors in fulfilling its oversight responsibility to the shareholders relating to:

- the integrity of Ayala Land Inc.'s (the "Company") financial statements and the financial reporting process;
- the appointment, re-appointment, remuneration, qualifications, independence and performance of the independent external auditors and the integrity of the audit process as a whole;
- the effectiveness of the systems of internal control and the risk management process;
- the performance and leadership of the internal audit function;
- the Company's compliance with applicable legal and regulatory requirements; and
- the preparation of a year-end report of the Committee for approval of the Board and to be included in the annual report.

In compliance with the Audit Committee Charter, we confirm that:

- An independent director chairs the Audit Committee. Two out of the three members of the Committee are independent directors;
- We had six meetings during the year with the following attendance rate:

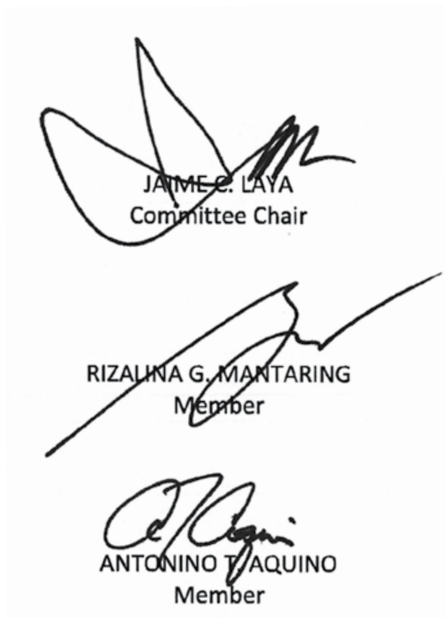
Director	No. of Meetings Attended/Held	% Present
Oscar S. Reyes*	3/3	100%
Mercedita S. Nolledo*	3/3	100%
Aurelio R. Montinola III*	2/3	66.67%
Jaime C. Laya	6/6	100%
Antonino T. Aquino	3/3	100%
Rizalina G. Mantaring	3/3	100%

*Served until April 7, 2014

- We recommended to the Board of Directors the re-appointment of SGV & Co. as independent external auditor for 2015, based on the review of their performance and qualifications, including consideration of management's recommendation;
- We reviewed and discussed the quarterly consolidated financial statements and the annual consolidated financial statements of Ayala Land, Inc. and subsidiaries, including Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2014, with the Company's management and SGV & Co. These activities were performed in the following context:
  - – That management has the primary responsibility for the financial statements and the reporting process.
  - – That SGV & Co. is responsible for expressing an opinion on the conformity of the Company's consolidated audited financial statements with Philippine Financial Reporting Standards.
- We reviewed and approved the management representation letter before submission to the Company's independent external auditors;
- We discussed and approved the overall scope and the respective audit plans of the Company's Internal Auditors and SGV & Co. We have also discussed the results of their audits and their assessment of the Company's internal controls and the overall quality of the financial reporting process;
- We also reviewed the reports of the Internal Auditors, ensuring that management is taking appropriate corrective actions in a timely manner, including addressing internal controls and compliance issues. All the activities performed by Internal Audit were conducted in conformance with the International Standards for the Professional Practice of Internal Auditing;
- We reviewed and approved all audit, audit-related, and permitted non-audit services provided by SGV & Co. to Ayala Land, Inc. and the related fees for such services. We also assessed the compatibility of non-audit services with the auditor's roles and responsibilities to ensure that such services will not impair their independence;
- We reviewed and discussed the adequacy of the Company's enterprise-wide management process, including the major risk exposures, the related mitigation efforts and initiatives, and the status of risk mitigation plans. The review was undertaken in the context that management is primarily responsible for the risk management process.

Based on the reviews and discussions undertaken, and subject to the limitations on our roles and responsibilities referred to above, the Audit Committee recommended to the Board of Directors the inclusion of the Company's consolidated financial statements as of and for the year ended December 31, 2014 in the Company's Annual Report to the Stockholders and for filing with the Securities and Exchange Commission.

February 16, 2015



Statement of Management 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. 60 ;
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
MAKATI 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

Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City Philippines 1226 Tel. No. (632) 848-5643 Fax No. (632) 848-5336 Website: www.ayalaland.com.ph

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ayala Land, Inc.
31F Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City, Metro Manila, Philippines

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ayala Land, Inc. and its subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

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

February 20, 2015

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 29)	**₱28,677,282**	₱27,966,138
Short-term investments (Notes 5 and 29)	**301,405**	16,728
Financial assets at fair value through profit or loss (Notes 6 and 29)	**6,264,569**	13,403,497
Accounts and notes receivable (Notes 7 and 29)	**58,573,665**	42,849,106
Inventories (Note 8)	**48,179,191**	43,572,245
Other current assets (Note 9)	**23,638,333**	19,319,245
Total Current Assets	**165,634,445**	147,126,959
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7 and 29)	**31,374,498**	17,648,365
Available-for-sale financial assets (Notes 10 and 29)	**784,371**	336,261
Land and improvements (Note 11)	**80,444,542**	62,722,720
Investments in associates and joint ventures (Note 12)	**10,963,182**	9,318,774
Investment properties (Note 13)	**67,897,942**	59,183,364
Property and equipment (Note 14)	**18,824,912**	17,554,470
Deferred tax assets - net (Note 23)	**6,457,372**	5,161,046
Other noncurrent assets (Notes 15 and 26)	**6,563,199**	6,421,726
Total Noncurrent Assets	**223,310,018**	178,346,726
	₱388,944,463	₱325,473,685

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 16 and 29)	**₱104,531,936**	₱79,478,164
Short-term debt (Notes 17 and 29)	**16,302,312**	12,407,056
Income tax payable	**647,234**	1,056,682
Current portion of long-term debt (Notes 17 and 29)	**5,066,903**	3,542,152
Deposits and other current liabilities (Note 18)	**8,897,771**	5,139,153
Total Current Liabilities	**135,446,156**	101,623,207
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17 and 29)	**103,296,454**	85,952,677
Pension liabilities (Note 26)	**1,580,228**	1,147,484
Deferred tax liabilities - net (Note 23)	**1,967,129**	1,306,517
Deposits and other noncurrent liabilities (Notes 19 and 29)	**24,659,038**	23,346,234
Total Noncurrent Liabilities	**131,502,849**	111,752,912
Total Liabilities	**266,949,005**	213,376,119

(Forward)

	December 31	
	2014	2013
Equity (Note 20)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-in capital	**₱44,851,468**	₱44,455,043
Retained earnings	**66,478,250**	57,608,700
Stock options outstanding (Note 28)	**185,604**	198,274
Remeasurement loss on defined benefit plans (Note 26)	**(572,392)**	(524,678)
Net unrealized gain on available-for-sale financial assets (Note 10)	**135,815**	32,105
Equity reserves (Note 2)	**(4,138,909)**	(3,299,669)
	106,939,836	98,469,775
Non-controlling interests	**15,055,622**	13,627,791
Total Equity	**121,995,458**	112,097,566
	₱388,944,463	₱325,473,685

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2014	2013	2012
REVENUE			
Real estate (Notes 21 and 25)	**₱89,027,534**	₱76,337,434	₱54,705,427
Interest and investment income (Notes 6, 7, 24 and 25)	**4,816,980**	3,538,357	4,277,103
Equity in net earnings of associates and joint ventures (Note 12)	**646,537**	549,741	535,911
Other income (Note 22)	**705,995**	1,097,538	413,721
	95,197,046	81,523,070	59,932,162
COSTS AND EXPENSES			
Real estate (Note 22)	**59,395,613**	51,839,186	37,025,710
General and administrative expenses (Notes 22, 26 and 28)	**6,203,133**	5,929,336	4,726,568
Interest and other financing charges (Note 22)	**5,365,716**	4,115,555	3,264,994
Other charges (Note 22)	**375,797**	678,930	367,296
	71,340,259	62,563,007	45,384,568
INCOME BEFORE INCOME TAX	**23,856,787**	18,960,063	14,547,594
PROVISION FOR INCOME TAX (Note 23)			
Current	**7,010,602**	6,654,709	3,893,519
Deferred	**(868,273)**	(1,999,339)	(422,411)
	6,142,329	4,655,370	3,471,108
NET INCOME	**₱17,714,458**	₱14,304,693	₱11,076,486
Net income attributable to:			
Equity holders of Ayala Land, Inc. (Note 27)	**₱14,802,642**	₱11,741,764	₱9,038,328
Non-controlling interests	**2,911,816**	2,562,929	2,038,158
	₱17,714,458	₱14,304,693	₱11,076,486
Earnings Per Share (Note 27)			
Net income attributable to equity holders of Ayala Land, Inc.			
Basic	**₱1.05**	₱0.84	₱0.68
Diluted	**1.05**	0.83	0.67

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
Net income	**₱17,714,458**	₱14,304,693	₱11,076,486
Other comprehensive income (loss)			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:			
Net unrealized gain (loss) on available-for-sale financial assets (Note 10)	**103,710**	(7,141)	4,281
Other comprehensive loss not to be reclassified to profit or loss in subsequent years:			
Actuarial loss on pension liabilities (Note 26)	**(76,944)**	(390,646)	(228,916)
Tax effect relating to components of other comprehensive loss	**23,083**	117,194	68,675
Total other comprehensive income (loss) – net of tax	**49,849**	(280,593)	(155,960)
Total comprehensive income	**₱17,764,307**	₱14,024,100	₱10,920,526
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	**₱14,851,119**	₱11,466,162	₱8,875,391
Non-controlling interests	**2,913,188**	2,557,938	2,045,135
	₱17,764,307	₱14,024,100	₱10,920,526

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands, Except Par Value and Cash Dividends Per Share Figures)

	Years Ended December 31		
	2014	2013	2012
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.			
Common Shares - ₱1.00 par value (Note 20)			
Issued:			
Balance at beginning of year	**₱14,063,902**	₱13,729,402	₱13,022,771
Issuance of shares	**123,150**	334,500	706,631
Balance at end of year	**14,187,052**	14,063,902	13,729,402
Subscribed:			
Balance at beginning of year	**109,385**	102,159	99,917
Additions	**17,202**	341,726	708,873
Issuance of shares	**(123,150)**	(334,500)	(706,631)
Balance at end of year	**3,437**	109,385	102,159
Preferred Shares - ₱0.10 par value (Note 20)			
Balance at beginning of year	**1,306,649**	2,610,109	1,303,460
Issuance of shares	**–**	–	1,306,649
Retirement of shares	**–**	(1,303,460)	–
Balance at end of year	**1,306,649**	1,306,649	2,610,109
Additional Paid-in Capital			
Balance at beginning of year	**29,712,336**	18,216,407	4,887,298
Additions (Notes 20 and 28)	**487,988**	11,495,929	13,329,109
Balance at end of year	**30,200,324**	29,712,336	18,216,407
Subscriptions Receivable			
Balance at beginning of year	**(737,229)**	(539,477)	(353,240)
Additions	**(176,671)**	(378,950)	(405,986)
Collections	**67,906**	181,198	219,749
Balance at end of year	**(845,994)**	(737,229)	(539,477)
Total Paid-in Capital	**44,851,468**	44,455,043	34,118,600
Retained Earnings (Note 20)			
Appropriated for future expansion	**6,000,000**	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	**51,608,700**	43,996,249	37,860,055
Cash dividends			
Common share - ₱0.41 per share in 2014, ₱0.29 per share in 2013 and ₱0.21 per share in 2012	**(5,871,054)**	(4,067,275)	(2,856,438)
Preferred share - ₱0.005 per share or 4.64%	**(62,038)**	(62,038)	(45,696)
Net income	**14,802,642**	11,741,764	9,038,328
Balance at end of year	**60,478,250**	51,608,700	43,996,249
	66,478,250	57,608,700	49,996,249

(Forward)

	Years Ended December 31		
	2014	2013	2012
Stock Options Outstanding (Note 28)			
Balance at beginning of year	**₱198,274**	₱213,758	₱232,298
Cost of stock options	**11,844**	19,688	31,751
Stock options exercised	**(24,514)**	(35,172)	(50,291)
Balance at end of year	**185,604**	198,274	213,758
Remeasurement Loss on Defined Benefit Plans			
Balance at beginning of year	**(524,678)**	(253,723)	(104,831)
Net changes during the year	**(47,714)**	(270,955)	(148,892)
Balance at end of year	**(572,392)**	(524,678)	(253,723)
Net Unrealized Gain on Available-for-Sale Financial Assets (Note 10)			
Balance at beginning of year	**32,105**	36,752	50,797
Net changes during the year	**103,710**	(4,647)	(14,045)
Balance at end of year	**135,815**	32,105	36,752
Equity Reserves (Notes 2 and 20)			
Balance at beginning of year	**(3,299,669)**	8,960	8,960
Movement during the year	**(839,240)**	(3,308,629)	–
Balance at end of year	**(4,138,909)**	(3,299,669)	8,960
Treasury Shares (Note 20)			
Balance at beginning of year	**–**	(2,127,427)	(823,967)
Reissuance	**–**	823,967	–
Retirement	**–**	1,303,460	–
Redemption	**–**	–	(1,303,460)
Balance at end of year	**–**	–	(2,127,427)
NON-CONTROLLING INTERESTS			
Balance at beginning of year	**13,627,791**	13,547,045	13,377,230
Net income	**2,911,816**	2,562,929	2,038,158
Net decrease in non-controlling interests	**(139,990)**	(1,367,725)	(841,056)
Dividends paid to non-controlling interests	**(1,342,623)**	(1,109,467)	(1,034,264)
Net gain (loss) on available-for-sale financial assets	**–**	(2,494)	18,326
Actuarial loss on pension liabilities	**(1,372)**	(2,497)	(11,349)
Balance at end of year	**15,055,622**	13,627,791	13,547,045
	₱121,995,458	₱112,097,566	₱95,540,214
Total Comprehensive Income			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	**₱14,802,642**	₱11,741,764	₱9,038,328
Non-controlling interests	**2,911,816**	2,562,929	2,038,158
	17,714,458	14,304,693	11,076,486
Net gain (loss) on available-for-sale financial assets attributable to (Note 10):			
Equity holders of Ayala Land, Inc.	**103,710**	(4,647)	(14,045)
Non-controlling interests	**–**	(2,494)	18,326
	103,710	(7,141)	4,281
Actuarial gain (loss) on pension liabilities attributable to:			
Equity holders of Ayala Land, Inc.	**(₱55,233)**	(₱270,955)	(₱148,892)
Non-controlling interests	**1,372**	(2,497)	(11,349)
	(53,861)	(273,452)	(160,241)
	₱17,764,307	₱14,024,100	₱10,920,526

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱23,856,787**	₱18,960,063	₱14,547,594
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 15 and 22)	**4,990,465**	3,898,401	2,714,537
Interest and other financing charges (Note 22)	**5,365,716**	4,115,555	3,264,994
Dividends received from investees (Note 12)	**1,019,885**	236,431	34,631
Cost of share-based payments (Note 28)	**196,088**	232,659	248,436
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 22)	**(96,702)**	657	–
Realized gain on financial assets at fair value through profit or loss (Note 22)	**(164,977)**	(2,104)	–
Gain on sale of property and equipment	**(1,097)**	(589,102)	(837)
Equity in net earnings of associates and joint ventures (Note 12)	**(646,537)**	(549,741)	(535,911)
Interest income	**(4,777,787)**	(3,528,766)	(3,673,325)
Gain on remeasurement of previously held equity interest (Note 24)	**–**	–	(593,853)
Provision for impairment losses (Note 22)	**139,627**	448,807	215,054
Operating income before changes in working capital	**29,881,468**	23,222,860	16,221,320
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable - trade	**(17,165,303)**	(7,162,382)	(10,565,938)
Inventories	**6,718,045**	(1,504,321)	(2,155,247)
Other current assets (Note 9)	**(4,290,975)**	(2,451,910)	(9,713,781)
Increase (decrease) in:			
Accounts and other payables	**24,679,257**	22,166,391	13,805,357
Deposits and other current liabilities (Note 18)	**3,758,618**	(328,162)	3,898,363
Pension liabilities (Note 26)	**383,657**	308,364	171,093
Net cash generated from operations	**43,964,767**	34,250,840	11,661,167
Interest received	**4,563,198**	3,284,026	3,666,534
Income tax paid	**(7,187,490)**	(6,366,620)	(3,835,134)
Interest paid	**(5,330,270)**	(3,929,597)	(3,070,038)
Net cash provided by operating activities	**36,010,205**	27,238,649	8,422,529
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of investments and financial assets at fair value through profit or loss	**41,234,788**	106,977	212,258
Sale of available-for-sale financial assets	**30,000**	129,513	220,049
Disposal of property and equipment (Note 14)	**213,744**	690,899	41,040
Disposal of investment properties (Note 13)	**793,047**	131,781	1,653

(Forward)

	Years Ended December 31		
	2014	2013	2012
Additions to:			
Short-term investments and financial assets at fair value through profit or loss	**(₱34,163,019)**	(₱12,795,536)	₱–
Available-for-sale financial assets (Note 10)	**(330,240)**	–	–
Land and improvements (Note 11)	**(28,358,401)**	(30,056,560)	(31,273,707)
Investments in associates and joint ventures (Note 12)	**(2,017,757)**	(1,126,982)	(188,423)
Investment properties (Note 13)	**(13,271,609)**	(10,797,538)	(10,160,717)
Property and equipment (Note 14)	**(3,251,225)**	(5,117,877)	(5,520,095)
Accounts and notes receivable - nontrade (Note 7)	**(12,210,428)**	(3,068,467)	(6,972,796)
Net increase in other noncurrent assets	**(174,133)**	(2,528,361)	(177,384)
Acquisition of subsidiary, net of cash acquired (Note 24)	**–**	–	(1,096,432)
Net cash used in investing activities	**(51,505,233)**	(64,432,151)	(54,914,554)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 17)	**33,075,483**	58,740,478	45,143,963
Payments of short and long-term debt (Note 17)	**(10,311,699)**	(31,616,655)	(13,078,096)
Increase in deposits and other noncurrent liabilities	**1,312,804**	3,479,954	10,885,732
Capital infusion by non-controlling interests in consolidated subsidiaries	**820,343**	1,005,254	446,793
Redemption of non-controlling interests in consolidated subsidiaries	**(388,439)**	(182,359)	(1,733,715)
Acquisition of non-controlling interest (Note 20)	**(1,411,130)**	(5,520,000)	–
Proceeds from capital stock subscriptions	**187,666**	9,790,114	14,891,418
Proceeds from reissuance of treasury shares	**–**	2,425,613	–
Redemption of treasury shares	**–**	–	(1,303,460)
Dividends paid to non-controlling interests	**(1,342,623)**	(1,109,467)	(1,034,264)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	**(5,736,233)**	(3,975,377)	(2,889,937)
Net cash provided by financing activities	**16,206,172**	33,037,555	51,328,434
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**711,144**	(4,155,947)	4,836,409
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**27,966,138**	32,122,085	27,285,676
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱28,677,282**	₱27,966,138	₱32,122,085

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information G4-7

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: G4-9

	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: G4-13

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.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which became effective January 1, 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.

<u>Fair Value Measurement</u>
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.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to an insignificant risk of change in value.

<u>Financial Instruments</u>
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"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.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

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

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

Share-based Payments

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

PFRS 2 Options

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

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

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

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

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

Pre-PFRS 2 Options

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

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

Employee Stock Ownership Plan

The Company has an employee stock ownership plan (ESOWN) which allows the grantees to purchase the Company's shares at a discounted price. The Company recognizes stock compensation expense over the holding period. The Company treats its ESOWN plan as option exercisable within a given period. These are accounted for similar to the PFRS 2 options. Dividends paid on the awards that have vested are deducted from equity and those paid on awards that are unvested are charged to profit or loss. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity

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

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

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

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

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

Revenue and Cost Recognition

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

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

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

Any excess of collections over the recognized receivables are included in the “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

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Retail	**December 31, 2014**	**₱475,680**	₱475,680	₱–	₱–
Tourism and leisure	**December 31, 2014**	**47,576**	47,576	–	–
Unquoted					
Tourism and leisure	**Various**	**215,785**	–	–	215,785
Utilities and energy	**Various**	**33,180**	–	–	33,180
Real estate	**Various**	**11,888**	–	–	11,888
Telecommunication	**Various**	**262**	–	–	262
		₱784,371	₱523,256	₱–	₱261,115

2013

			Fair value measurement using		
	Date of Valuation	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Shares of stock:			(In Thousands)		
Quoted					
Tourism and leisure	December 31, 2013	₱75,146	₱75,146	₱–	₱–
Unquoted					
Tourism and leisure	Various	215,785	–	–	215,785
Utilities and energy	Various	33,180	–	–	33,180
Real estate	Various	11,888	–	–	11,888
Telecommunication	Various	262	–	–	262
		₱336,261	₱75,146	₱–	₱261,115

11. Land and Improvements

The rollforward analysis of this account follows:

	2014	2013
	(In Thousands)	
Cost		
Balance at beginning of year	**₱63,232,845**	₱49,325,569
Additions	**28,358,401**	30,097,431
Transfers (Notes 8 and 13)	**(10,636,579)**	(16,190,155)
Balance at end of year	**80,954,667**	63,232,845
Allowance for impairment losses		
Balance at beginning and end of year	**510,125**	510,125
	₱80,444,542	₱62,722,720

On November 26, 2014, Alveo Land Corporation (Alveo) acquired a 6,986 sq. m. property located along Valero St., Salcedo Village, Makati City for ₱1.6 billion.

On September 15, 2014, Alveo acquired on installment a 2,400 sqm. property located along Ayala Avenue, Makati for ₱1.2 billion payable until 2015.

In 2012, the Group won the public bidding at an amount of ₱24,313.0 million for the purchase of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig City. The bid was conducted in accordance with the Asset Specific Bidding Rules dated July 4, 2012 and in accordance with the provisions of Executive Order No. 323.

In October 2012, the Company entered into a Purchase Agreement wherein FTI (the Seller) agrees to sell, convey, assign and transfer and deliver to the Company, all of the Seller's rights and interests in the FTI property. The property is designed to be a mixed-use development.

On August 27, 2009, the Company and the National Housing Authority (NHA) signed a Joint Venture Agreement to develop the 29.1-hectare North Triangle Property in Quezon City as a priming project of the government and the private sector. The joint venture represents the conclusion of a public bidding process conducted by the NHA which began on October 3, 2008.

The Company's proposal, which has been approved and declared by the NHA as compliant with the Terms of Reference of the public bidding and the National Economic Development Authority (NEDA) Joint Venture Guidelines, features the development of a new Central Business District (CBD) in Quezon City. The CBD will be developed as the Philippines' first transit-oriented, mixed-use central business district that will be a new nexus of commercial activity. The proposal also aims to benefit the NHA in achieving its mandate of providing housing for informal settlers and transforming a non-performing asset into a model for urban renewal. The development is expected to generate jobs and revenue both for the local and national governments.

The Company's vision for the property is consistent with the mandate of the Urban Triangle Development (TriDev) Commission to rationalize and speed up the development of the East and North Triangles of Quezon City into well-planned, integrated and environmentally balanced, mixed-use communities. The joint venture also conforms with the NHA's vision of a private sector-led and managed model for the development of the property, similar to the development experience in Fort Bonifacio.

The total project cost is estimated at ₱22.0 billion, inclusive of future development costs and the current value of the property, which the Company and the NHA will contribute as their respective equity share in the joint venture. The development of Phase 1 commenced in the second quarter of 2012.

12. Investments in Associates and Joint Ventures

This account consists of:

	2014	2013
	(In Thousands)	
Acquisition cost	**₱6,638,616**	₱4,620,860
Accumulated equity in net earnings:		
Balance at beginning of year	**4,697,914**	4,384,604
Equity in net earnings during the year	**646,537**	549,741
Dividends received during the year	**(1,019,885)**	(236,431)
Balance at end of year	**4,324,566**	4,697,914
	₱10,963,182	₱9,318,774

The Group's equity in the net assets of associates and joint ventures and the related percentages of ownership are shown below.

	Percentages of Ownership		Carrying Amounts	
	2014	2013	**2014**	2013
Joint ventures:				
Emerging City Holdings, Inc. (ECHI)	**50%**	50%	**₱4,112,702**	₱4,178,074
Berkshires Holdings, Inc. (BHI)	**50**	50	**1,815,344**	1,854,075
Cebu District Property Enterprise, Inc. (CDPEI)	**42**	–	**1,492,009**	–
SIAL Specialty Retailers, Inc. (SIAL Specialty)	**50**	50	**332,316**	208,836
SIAL CVS Retailers, Inc.(SIAL CVS)	**50**	50	**152,511**	161,611
AyaGold Retailers, Inc. (AyaGold)	**50**	50	**43,949**	60,000
			7,948,831	6,462,596
Associates:				
Bonifacio Land Corp. (BLC)	**10**	10	**1,355,882**	1,394,561
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	**49**	49	**696,757**	500,950
Tianjin Eco-City Ayala Land Development Co.,Ltd. (Tianjin Eco-City)	**40**	40	**483,981**	542,558
Lagoon Development Corporation (LDC)	**30**	30	**54,339**	55,047
Mercado General Hospital, Inc. (MGHI)	**33**	33	**422,392**	359,523
Others	**Various**	various	**1,000**	3,539
			3,014,351	2,856,178
			₱10,963,182	₱9,318,774

As of December 31, 2014 and 2013, the Group had total commitments relating to the Group's interests in the joint ventures amounting to ₱975.1 million and ₱568.3 million, respectively.

The Company considers a subsidiary as a subsidiary with material NCI, an associate and a joint venture with material interest if its net assets exceed 5% of its total consolidated net assets of the Group as of reporting period. There are no significant restrictions on the Company's ability to use assets and settle liabilities of the Group.

Financial Information of the associate with material interest

BLC

The Group has a 10% interest in BLC, which is involved in the purchase, subscription or otherwise disposal of real and personal properties. BLC is a private company incorporated on October 20, 1994 and there is no quoted market price available for its shares. Its registered office and principal place of business is Taguig, Philippines.

Set out below is the summarized financial information for BLC:

	2014	2013
Current assets	**₱24,747,739**	₱23,612,217
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.

<u>Investment in ARCH Capital Fund</u>
In 2006, the Company and AC entered into a Shareholders' Agreement with ARCH Capital and Great ARCH Co. Limited, wherein the Company and AC committed to invest a total of US$75.0 million in a private equity fund that will explore property markets in Asia, excluding Japan and the Philippines. On the same year, an Amendment and Adherence Agreement was entered into by the same parties, together with Fine State Group Limited (Fine State) and Green Horizons Holdings Limited (Green Horizons), a wholly owned subsidiary of First Longfield, transferring the interests of AC and the Company in ARCH Capital into Fine State and Green Horizons, respectively. Fine State and First Longfield are 100%-owned Hong Kong subsidiaries of AC and the Company, respectively.

The Company (through Green Horizons) and AC (through Fine State) both have interests in the fund management company, ARCH Capital, which is tasked to raise third party capital and pursue investments for the Fund. The Company (through Green Horizon) and AC (through Fine State) owned interest of 7.58% and 15.15%, respectively in ARCH Capital.

In 2007, the private equity fund, called ARCH Capital Asian Partners, L.P. (Fund) was established. As at December 31, 2007, the Fund achieved its final closing, resulting in a total investor commitment of US$330.0 million. As a result, portion of the funds disbursed by the Company and AC and invested into the Fund have been returned in 2007, reducing the Company's overall capital invested to ₱214.5 million as of December 31, 2007. In 2009, 2010 and 2011, the Fund made a capital call where the Company's share amounted to $2.1 million, and $9.1 million and $2.2 million, respectively.

As of December 31, 2014 and 2013, the Company's remaining capital commitment with the Fund both amounted to nil.

On March 7, 2011, the Company, AC and TRG completed an exchange of ownership interests in Arch Capital and ARCH Capital Asian Partners G.P. (a Cayman Islands company), with proceeds and carrying value of the investments as of the date of exchange amounting to US$3.8 million and

US$0.4 million, respectively, resulted to a gain of US$2.9 million, net of transaction costs, lodged in "Interest and investment income" account. The exchange in ownership interest resulted in TRG acquiring the Company's 17% stake and AC's 33% interest. The completed exchange of ownership interests did not change the activities, management, focus, and shareholder structure of the ARCH Fund, with the Company retaining its current 8% interest in the fund.

In 2012, the Company's investment over the Fund was reclassified from associate to FVPL. The Company lost significant influence over the Fund since its investments pertain to monetary interest and no longer equity interest.

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

The 7,377-square meter property developed was conveyed by the Company to AMHRI in exchange for 37,250 common shares, 38,250 redeemable preferred shares A and 16,758 preferred shares.

In 2012, the Group obtained control over AMHRI and AMHPI through step acquisition as discussed in Note 24.

<u>Investment in SIAL Specialty</u>
SIAL Specialty was incorporated on September 27, 2012 as a joint venture between Varejo and Store Specialist, Inc. (SSI). Varejo is a wholly owned subsidiary of the Company. SSI is one of the largest specialty retail companies in the Philippines with the exclusive distribution rights to a variety of brands from around the world.

The partnership, which combines the Company's expertise in developing mixed-use developments and SSI's proven track record in retail, is aimed at pursuing retail solutions to address the growing and changing lifestyle needs of the market.

SIAL Specialty was organized primarily for the investment and operation of mid-market department stores and to pursue other investment opportunities in the Philippine retail sector.

<u>Investment in SIAL CVS</u>
SIAL CVS is an equally-owned joint venture between Varejo, the Company's wholly owned subsidiary and SII, SSI's wholly owned subsidiary.

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

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

Investment in MGHI
In July 2013, 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.

<u>Common Shares</u>
On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the 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 10th year from the issue date which was in 2012.

28. Stock Options and Ownership Plans

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

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

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

Pre-PFRS 2 Options

	2014	**Weighted average exercise price**	2013	Weighted average exercise price
At January 1	**–**	**₱–**	6,424,068	₱4.23
Exercised	**–**	**–**	(2,552,664)	3.74
Cancelled	**–**	**–**	(3,871,404)	–
At December 31	**–**	**₱–**	–	₱4.58

PFRS 2 Options

	2014	**Weighted average exercise price**	2013	Weighted average exercise price
At January 1	**10,377,981**	**₱4.58**	11,039,666	₱4.23
Exercised	**(5,624,981)**	**4.26**	(661,685)	3.74
Cancelled	**(1,894,640)**	**–**	–	–
At December 31	**2,858,360**	**₱5.63**	10,377,981	₱4.58

The options exercised had a weighted average exercise price of ₱4.26 per share or ₱23.96 million in 2014, and ₱3.74 per share or ₱12.02 million in 2013.

The average fair market value of the shares at the exercise date was ₱31.46 per share or about ₱177.0 million in 2014 and ₱30.00 per share or about ₱96.4 million in 2013.

The fair value of stock options granted are estimated as at the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The fair value of stock options granted under ESOP at June 30, 2005 grant date, and the assumptions used to determine the fair value of the stock options are as follows:

Weighted average share price	₱8.36
Exercise price	₱6.75
Expected volatility	46.30%
Option life	10 years
Dividend yield	3.21%
Interest rate	12.60%

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also necessarily be the actual outcome.

ESOWN
In November 2001, the Company offered all its ESOWN subscribers with outstanding ESOWN subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

In 2005, the Company introduced a revised ESOWN Plan (the Plan) wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the Plan are subject to the Company's right to repurchase.

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. The Binomial Tree model requires six inputs to produce an option stock value namely; market value of the share, book value of the share, time to maturity, volatility rate, dividend yield, and risk free rate.

For the unsubscribed shares, the employee still has the option to subscribe within seven (7) years.

Movements in the number of options outstanding and weighted average exercise prices (WAEP) under ESOWN follow:

	2014	**WAEP**	2013	WAEP
At January 1	**12,683,257**	**₱14.19**	19,149,441	₱10.31
Granted	**12,640,541**		15,385,695	
Subscribed	**(12,330,426)**	**21.10**	(18,784,577)	18.74
Cancelled availment	**279,632**		792,824	
Cancelled	**(993,724)**		(3,860,126)	
At December 31	**12,279,280**	**₱15.61**	12,683,257	₱14.19

The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. Option maturity is four years from the date of grant.

The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date				
	March 20, 2014	March 18, 2013	March 13, 2012	March 31, 2011	March 31, 2010
Number of unsubscribed shares	1,369,887	1,713,868	3,967,302	3,843,057	2,298,247
Fair value of each option	₱12.60	₱12.07	₱6.23	₱7.27	₱8.88
Weighted average share price	₱31.46	₱30.00	₱21.98	₱15.5	₱13.00
Exercise price	₱22.55	₱21.45	₱14.69	₱13.2	₱9.74
Expected volatility	33.50%	36.25%	33.00%	36.25%	43.57%
Dividend yield	1.42%	1.93%	0.9%	1.01%	0.48%
Interest rate	3.13%	2.78%	5.70%	5.60%	5.95%

	Grant Date				
	April 30, 2009	May 15, 2008	September 20, 2007	June 5, 2006	November 16, 2005
Number of unsubscribed shares	5,418,619	15,057,840	494,400	5,270,333	3,036,933
Fair value of each option	₱4.05	₱6.77	₱6.93	₱7.33	₱5.58
Weighted average share price	₱6.40	₱10.50	₱15.00	₱13.00	₱9.30
Exercise price	₱4.96	₱9.74	₱12.00	₱10.35	₱7.03
Expected volatility	37.45%	32.04%	34.67%	46.03%	46.32%
Dividend yield	0.85%	0.49%	0.41%	1.56%	0.77%
Interest rate	5.94%	8.53%	6.93%	10.55%	11.30%

Total expense (included under "General and administrative expenses") recognized in 2014 and 2013 in the consolidated statements of income arising from share-based payments amounted to ₱196.1 million and ₱232.7 million, respectively (see Note 22).

29. **Financial Assets and Liabilities**

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Loans and Receivables				
Trade residential development	**₱51,345,735**	**₱51,891,790**	₱33,337,137	₱33,374,023
Investment in bonds classified as loans and receivables	**450,000**	**463,407**	1,000,000	1,091,291
Receivable from employees	**431,916**	**432,071**	230,138	230,210
	₱52,227,651	**₱52,787,268**	₱34,567,275	₱34,695,524
Other Financial Liabilities				
Long-term debt	**₱108,363,357**	**₱109,847,007**	₱89,494,829	₱94,843,118
Deposits and other noncurrent liabilities	**24,659,038**	**24,649,686**	23,346,234	23,350,206
	₱133,022,395	**₱134,496,693**	₱112,841,063	₱118,193,324

The methods and assumptions used by the Group in estimating the fair value of the financial instruments are as follows:

Cash and cash equivalents, short-term investments and current receivables, accounts and other payables, current payables and short term debt - Carrying amounts approximate fair values due to the relatively short-term maturities of these financial instruments.

Financial assets at FVPL - These are investments in fund. Fair value is based on net asset values as of reporting dates.

Noncurrent accounts and notes receivables - The fair values of residential accounts and notes receivable, advances to other companies and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 3.54% to 6.17% and 8.00% to 13.25% as of December 31, 2014 and 2013.

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

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair value cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value.

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged 3.88% to 6.48% and 1.82% to 6.13% as of December 31, 2014 and 2013, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy
As at December 31, 2014, quoted AFS financial assets have been measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The Company categorizes trade receivable, investment in bonds classified as loans and receivables, receivable from employees, long-term debt and deposits and other noncurrent liabilities under Level 3 in December 31, 2014. The fair value of these financial instruments is determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

Quoted AFS financial assets amounting to ₱523.3 million and ₱75.1 million as of December 31, 2014, and 2013, respectively were classified under Level 1 (see Note 10).

There are no AFS financial assets and liabilities which have been classified under the Level 2 or 3 categories.

There have been no reclassifications from Level 1 to Level 2 categories in December 31, 2014 and 2013.

Financial Risk Management Objectives and Policies
The Group's principal financial instruments comprise of cash and cash equivalents, short-term investment, financial assets at FVPL, AFS quoted and unquoted equity securities, investments in bonds, bank loans, corporate notes and bonds. The financial debt instruments were issued primarily to raise financing for the Group's operations. The Group has various financial assets such as trade receivables and trade payables which arise directly from the conduct of its operations.

Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:
- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The use of derivative financial instruments, if any, is solely for management of the Group's financial risk exposures. It is the Group's policy not to enter into derivative transactions for speculative purposes.

The Group's financing and treasury function operates as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Group.

There were no changes in the Group's financial risk management objectives and policies in 2014 and 2013.

Liquidity risk
Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for

the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

This is also the possibility of experiencing losses due to the inability to sell or convert marketable securities into cash immediately or in instances where conversion to cash is possible but at a loss due to wider than normal bid-offer spreads.

The Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. The Group has come up with a three-layered approach to liquidity through the prudent management of sufficient cash and cash equivalents, the potential sale of accounts receivables and the maintenance of short-term revolving credit facilities.

Cash and cash equivalents are maintained at a level that will enable it to fund its general and administrative expenses as well as to have additional funds as buffer for any opportunities or emergencies that may arise. Management develops viable funding alternatives through a continuous program for the sale of its receivables and ensures the availability of ample unused short-term revolving credit facilities from both local and foreign banks as back-up liquidity.

The Group ascertains that its cash is invested in short-term bank placements and special deposit accounts, as well as in high-quality and marketable government and corporate securities.

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2014 and 2013 based on contractual undiscounted payments:

December 31, 2014

	< 1 year	**>1 to < 5 years**	**> 5 years**	**Total**
		(In Thousands)		
Accounts and other payables	**₱91,997,731**	**₱–**	**₱–**	**₱91,997,731**
Short-term debt	**16,302,312**	**–**	**–**	**16,302,312**
Long-term debt	**5,079,349**	**38,502,229**	**65,216,045**	**108,797,623**
Deposits and other noncurrent liabilities	**–**	**18,124,107**	**63,133**	**18,187,240**
	₱113,379,392	**₱56,626,336**	**₱65,279,178**	**₱235,284,906**
Interest payable	**₱5,637,506**	**₱17,816,002**	**₱11,539,383**	**₱34,992,891**

December 31, 2013

	< 1 year	>1 to < 5 years	> 5 years	Total
		(In Thousands)		
Accounts and other payables	₱72,440,400	₱–	₱–	₱72,440,400
Short-term debt	12,407,056	–	–	12,407,056
Long-term debt	3,542,152	31,713,565	54,599,082	89,854,799
Deposits and other noncurrent liabilities	–	23,080,110	13,383,292	36,463,402
	₱88,389,608	₱54,793,675	₱67,982,374	₱211,165,657
Interest payable	₱3,136,841	₱14,415,402	₱10,571,808	₱28,124,051

Cash and cash equivalents, short-term investments, financial assets at FVPL and treasury bonds and treasury bills classified as AFS financial assets are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. Treasury bonds with maturity of more than a year from December 31, 2014 are marketable securities and could be sold as and when needed, prior to its maturity in order to meet the Group's short-term liquidity needs. As of December 31, 2014 and 2013, undrawn loan commitments from long-term credit facilities amounted to ₱1,110.0 million and ₱2,856.0 million, respectively.

Credit risk
Credit risk is a risk that a counterparty will not meet its obligation under its financial instrument or customer contract leading to a financial loss.

The Group's credit risks are primarily attributable to installments receivable, rental receivables and other financial assets. To manage credit risks, the Group maintains defined credit policies and monitors its exposure to credit risks on a continuous basis.

In respect of installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contribute to lower customer default than its competitors. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements. Exposure to bad debts is not significant as title to real estate properties are not transferred to the buyers until full payment has been made and the requirement for remedial procedures is minimal given the profile of buyers.

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The Group's maximum exposure to credit risk as of December 31, 2014 and 2013 is equal to the carrying values of its financial assets, except for the following:

December 31, 2014

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivable:				
Trade receivables:				
Residential	**₱50,891,189**	**₱70,617,811**	**₱–**	**₱50,891,189**
Shopping center	**1,466,959**	**3,392,589**	**62,860**	**1,404,099**
Corporate business	**1,826,468**	**1,609,140**	**218,600**	**1,607,868**
Receivables from employees	**419,170**	**325,334**	**94,210**	**324,959**
	₱54,603,786	**₱75,944,874**	**₱375,670**	**₱54,228,115**

December 31, 2013

	Gross maximum exposure	Fair value of collateral or credit enhancement	Net exposure	Financial effect of collateral or credit enhancement
Accounts and notes receivable:				
Trade receivables:				
Residential	₱33,337,137	₱60,103,704	₱–	₱33,337,137
Shopping center	1,759,197	2,867,981	76,757	1,682,440
Corporate business	1,231,185	1,498,524	56,979	1,174,206
Receivables from employees	230,138	242,198	–	230,139
	₱36,557,657	₱64,712,407	₱133,736	₱36,423,922

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

As of December 31, 2014 and 2013, the aging analysis of past due but not impaired trade receivables presented per class, follow:

December 31, 2014

	Neither Past Due nor Impaired	Past Due but not Impaired <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	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 <30 days	30-60 days	61-90 days	91-120 days	>120 days	Total	Individually Impaired	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**

<u>Operating Leases - Group as Lessor</u>
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

<u>Operating Leases - Group as Lessee</u>
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.

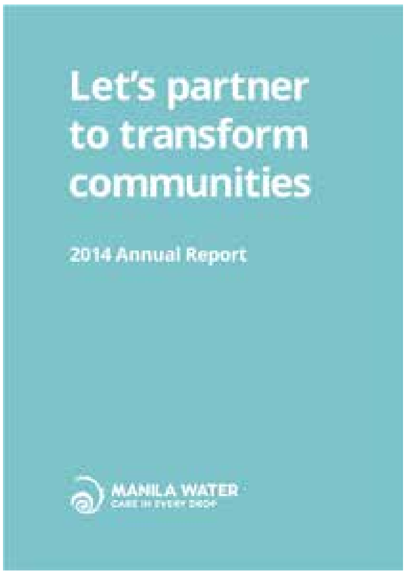
This brings the Company's ownership in NTDCC from 63.82% to 73.24% of the total outstanding capital stock of NTDCC, which owns and operates the Trinoma Commercial Centre in North Triangle, Quezon City.

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.

LET'S BUILD SUSTAINABLE COMMUNITIES

This is the theme of our 2014 report - an invitation to the public to join Ayala Land in elevating the quality of life for the Filipino. Together, we can enrich more lives and help build a stronger nation.



About our Paper

This report is printed on paper certified
by Forest Stewardship Council.

Acknowledgements

Produced by Ayala Land, Inc.

Concept, Design, and Layout by Medium3 Inc
Editorial Consulting by Drink Communications
Portraits by Francisco Guerrero
Additional Photography by Manny Illana

Corporate Information

31F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, 1226 Philippines
Tel +63(2) 908 3000
Fax +63(2) 848 5336
www.ayalaland.com.ph

Stakeholder Inquiries

For inquiries or concerns from analysts, institutional investors, the financial community, customers, and the general public, please contact:

General Inquiries: inquiry@ayalaland.com.ph
Investors: iru@ayalaland.com.ph
Governance: corporatesecretary@ayalaland.com.ph

Shareholder Services and Assistance

For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificates, please contact:

BPI Stock Transfer Agency
16F BPI Building
6768 Ayala Avenue corner Paseo de Roxas
Makati City, 1226 Philippines
Tel +63(2) 8169067 to 68
+63(2) 816 9898
+63(2) 816 9321
+63(2) 845 5746
+63(2) 845 5038
Fax +63(2) 845 5515
Email expressonline@bpi.com.ph

31F Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, 1226 Philippines
Tel +63(2) 908 3000
Fax +63(2) 848 5336
www.ayalaland.com.ph