



NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of **AYALA LAND, INC.** will be held at the Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City, on **Tuesday, April 12, 2016 at 9:00 o'clock in the morning** with the following

A G E N D A¹

1. Proof of Notice, Determination of Quorum and Rules of Conduct and Procedures
2. Approval of Minutes of Previous Meeting
3. Annual Report
4. Election of Directors (including the Independent Directors)
5. Election of External Auditor and Fixing of its Remuneration
6. Consideration of Such Other Business as May Properly Come Before the Meeting
7. Adjournment

Only stockholders of record at the close of business on **February 11, 2016** are entitled to notice of, and to vote at, this meeting.

Makati City, January 27, 2016.

A handwritten signature in black ink, appearing to read 'Solomon M. Hermosura'.

SOLOMON M. HERMOSURA

Corporate Secretary and Group General Counsel

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the herein proxy form and submit the same on or before **April 1, 2016** to the Office of the Corporate Secretary at 3/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. Validation of proxies shall be held on April 5, 2016 at 9:00 a.m. at the Office of the Corporate Secretary. Thank you.

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

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

Proof of Notice, Determination of Quorum and Rules of Conduct and Procedures

The Corporate Secretary will certify the date the notice of the meeting was sent to all stockholders of record and the date of publication of the notice in newspapers of general circulation.

The Corporate Secretary will further certify the existence of a quorum. The stockholders of record, present in person or by proxy, representing a majority of the outstanding capital stock shall constitute a quorum for the transaction of business.

The following are the rules of conduct and procedures:

- (i) The polls are open for the stockholders to cast their votes either manually or electronically.
- (ii) A stockholder may vote manually using the ballot provided to him upon registration and placing the voted ballot in the ballot boxes located at the registration table and inside the Ballroom.
- (iii) A stockholder may vote electronically using any of the computers at the station for electronic voting outside the Ballroom. The paper ballot and the website platform for electronic voting set forth the proposed resolutions for consideration by the stockholders and each proposed resolution would be shown on the screen in front of the Ballroom as it is taken up at the meeting.
- (iv) In general, the stockholders act by the affirmative vote of stockholders representing at least a majority of the outstanding capital stock present at the meeting.
- (v) Each outstanding share of stock entitles the registered holder to one vote.
- (vi) The election of the directors shall be by plurality of votes. Every stockholder shall be entitled to cumulate his votes.
- (vii) The stockholders may cast their votes anytime during the meeting.
- (viii) All votes received shall be tabulated by the Office of the Corporate Secretary, and the results of the tabulation shall be validated by SyCip Gorres Velayo and Co.
- (ix) During the meeting, as the stockholders take up an item on the Agenda, the Corporate Secretary will report the votes already received and tabulated on that item.

Approval of Minutes of Previous Meeting

The minutes of the meeting held on April 6, 2015 are posted at the company website, ir.ayalaland.com.ph. Copies of the minutes will also be distributed to the stockholders before the meeting.

A resolution approving the minutes will be presented to the stockholders and approved by the vote of the stockholders representing at least a majority of the outstanding capital stock present at the meeting.

Annual Report

The Chairman, Mr. Fernando Zobel de Ayala, and the President and Chief Executive Officer, Mr. Bernard Vincent O. Dy, will deliver a report to the stockholders on the performance of the company in 2015 and the outlook for 2016. The financial statements as of December 31, 2015 will be embodied in the Information Statement to be sent to the stockholders at least 15 business days prior to the meeting.

A resolution noting the report and approving the audited financial statements will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least a majority of the outstanding capital stock present at the meeting.

Election of Directors (including the Independent Directors)

Any stockholder may submit to the Nomination Committee nominations to the Board not later than February 15, 2016. The Nomination Committee will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement and in the company website for examination by the stockholders.

Each stockholder entitled to vote may cast the votes to which the number of shares he owns entitles him, for as many persons as are to be elected as directors, or he may 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 them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected. The nine nominees receiving the highest number of votes will be declared elected as directors of the company.

Election of External Auditor and Fixing of its Remuneration

The Audit Committee will endorse to the stockholders the appointment of an external auditor for the current fiscal year. The profile of the external auditor will be provided in the Information Statement and in the company website for examination by the stockholders.

A resolution for the appointment of the external auditor and for the approval of its remuneration will be presented to the stockholders for adoption by the affirmative vote of stockholders representing a majority of the outstanding capital stock present at the meeting.

Consideration of Such Other Business as May Properly Come Before the Meeting

The Chairman will open the floor for comments and questions by the stockholders. Stockholders may raise other matters or issues that may be properly taken up at the meeting.

PROXY

The undersigned stockholder of **AYALA LAND, INC.** (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as *attorney-in-fact* and *proxy*, to present and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company on April 12, 2016 and at any of the adjournments thereof for the purpose of acting on the following matters:

- | | |
|--|--|
| 1. Approval of minutes of previous meeting.
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain | 4. Election of SyCip Gorres Velayo & Co. as the independent auditor and fixing of its remuneration.
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain |
| 2. Annual Report.
<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Abstain | 5. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting.
<input type="checkbox"/> Yes <input type="checkbox"/> No |

3. Election of Directors

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

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER /
AUTHORIZED SIGNATORY

DATE

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 1, 2016**, THE DEADLINE FOR SUBMISSION OF PROXIES. FOR CORPORATE STOCKHOLDERS, PLEASE ATTACH TO THIS PROXY FORM THE SECRETARY'S CERTIFICATE ON THE AUTHORITY OF THE SIGNATORY TO APPOINT THE PROXY AND SIGN THIS FORM.

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

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

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT OF
AYALA LAND, INC. (the "Registrant", "Company" or "ALI")
PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter **AYALA LAND, INC.**
3. Province, country or other jurisdiction of incorporation or organization
REPUBLIC OF THE PHILIPPINES
4. SEC Identification Number **152747**
5. BIR Tax Identification Code **000-513-790-000**
6. Address of principal office **31st Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue,
Makati City 1226**
7. Registrant's telephone number, including area code **(632) 7506974**
8. Date, time and place of the meeting of security holders

Date	April 12, 2016
Time	0900 am
Place	Ballroom 2, Fairmont Makati, 1 Raffles Drive, Makati Avenue, Makati City
9. Approximate date on which the Information Statement is first to be sent or given to security holders

Date	March 16, 2016
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10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:
 - a. Shares of Stock as of January 31, 2016

Common Shares	14,695,631,367
Preferred Shares	13,066,494,759
 - b. Amount of Debt Outstanding as of January 31, 2016 **P57,962,880,000.00**
11. Are any or all of registrant's securities listed in a Stock Exchange?
☒ Yes ☐ No
14,552,590,453 common shares are listed with the Philippine Stock Exchange ("PSE")

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders (hereafter, the “annual stockholders’ meeting” or “meeting”)**

(a) **Date** April 12, 2016
Time 0900 am
Place Ballroom 2, Fairmont Makati
1 Raffles Drive, Makati Avenue, Makati City

Principal Office 31st Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City 1226

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

Date March 16, 2016

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

Item 2. **Dissenters’ Right of Appraisal**

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

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

- (a) No current director or officer¹, or nominee for election as director or any of his associate, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- (b) No director has informed the Company that he intends to oppose any action to be taken at the annual stockholders’ meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

(a) **Number of Shares Outstanding as of January 31, 2016:**

Common Shares 14,695,631,367
Preferred Shares 13,066,494,759

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

(b) All stockholders of record as of February 11, 2016 are entitled to notice and to vote at the annual stockholders’ meeting.

(c) **Manner of Voting**

For common shares, Article III, Sections 7 and 8 of the By-Laws of the Company (the “By-Laws”) provide:

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

“Section 7 - Each share of stock entitles the person in whose name it is registered in the books of the Corporation to one vote, provided the conditions as regards payment subject to which it was issued have been complied with.

Section 8 – The election of Directors shall be by ballot and each stockholder entitled to vote may cast the vote to which the number of shares he owns entitles him for as many persons as many votes as the number of Directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of Directors to be elected. x x x”

(d) Security Ownership of Certain Record and Beneficial Owners and Management

- i. Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 2016:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of total outstanding shares)
Common	Ayala Corporation ² 34/F, Tower One Ayala Triangle Ayala Ave., Makati City	Ayala Corporation ³	Filipino	6,934,509,515	24.97831%
Preferred				12,163,180,640	43.81214%
Common	PCD Nominee Corporation (Non-Filipino) ⁴ G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers ⁵	Various	2,923,706,995	10.53128%
Common	PCD Nominee Corporation (Filipino) ⁴ G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers ⁵	Filipino	1,723,692,368	6.20879%
Common	PCD Nominee Corporation (Non-Filipino) ⁴ G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Management Asia Limited ⁶	Singaporean	1,455,326,611	5.24213%
Common	PCD Nominee Corporation (Non-Filipino) ⁴ G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Managers Limited ⁶	British	1,408,748,314	5.07435%

² Ayala Corporation (“AC”) is the parent of the Company.

³ Under the By-Laws and the Corporation Code, the AC Board has the power to decide how AC’s shares are to be voted.

⁴ PCD is not related to the Company.

⁵ Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. Out of the 4,647,399,363 common shares registered in the name of PCD Nominee Corporation, 2,106,897,110 or 7.58911% of the voting stock is for the account of The Hongkong and Shanghai Banking Corporation (HSBC) and 1,930,632,902 or 6.95420% of the voting stock is for the account of Deutsche Bank Manila (DB). The Company has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of HSBC, DB or any of its customers beneficially owns more than 5% of the Company’s common shares.

⁶ Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited (collectively, “Aberdeen”) are the clients of a participant of PCD. The Company has no record relating to the power to decide how the shares held by PCD and beneficially owned by Aberdeen are to be voted.

ii. Security Ownership of Directors and Management (Executive Officers) as of January 31, 2016:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of total outstanding shares)
Directors				
Common	Fernando Zobel de Ayala	(direct) 12,000	Filipino	0.00004%
Common	Jaime Augusto Zobel de Ayala	(direct) 12,000	Filipino	0.00004%
Common	Bernard Vincent O. Dy	(direct & indirect) 10,536,167	Filipino	0.03795%
Common	Antonino T. Aquino	(direct & indirect) 20,305,226	Filipino	0.07314%
Common	Vincent Y. Tan	(direct & indirect) 12,950,871	Canadian	0.04665%
Common	Jaime C. Laya	(direct) 10,000	Filipino	0.00004%
Common	Delfin L. Lazaro	(direct) 1	Filipino	0.00000%
Common	Francis G. Estrada	(direct) 1	Filipino	0.00000%
Common	Rizalina G. Mantaring	(direct) 1	Filipino	0.00000%
CEO and Most Highly Compensated Executive Officers				
Common	Bernard Vincent O. Dy	(direct & indirect) 10,536,167	Filipino	0.03795%
Common	Arturo G. Corpuz	(direct & indirect) 6,195,761	Filipino	0.02232%
Common	Raul M. Irlanda**	(direct & indirect) 1,034,604	Filipino	0.00373%
Common	Emilio Lolito J. Tumbocon**	(direct & indirect) 8,938,585	Filipino	0.03220%
Common	Jaime E. Ysmael	(direct & indirect) 8,848,635	Filipino	0.03187%
Other Executive Officers				
Common	Dante M. Abando	(direct & indirect) 3,333,264	Filipino	0.01201%
Common	Leovigildo D. Abot	(direct & indirect) 477,773	Filipino	0.00172%
Common	Augusto D. Bengzon	(indirect) 2,067,444	Filipino	0.00745%
Common	Aniceto V. Bisnar, Jr.	(direct & indirect) 1,516,701	Filipino	0.00546%
Common	Manny A. Blas II	(direct & indirect) 1,534,308	Filipino	0.00553%
Common	Ma. Corazon G. Dizon**	(direct & indirect) 1,141,495	Filipino	0.00411%
Common	Anna Ma. Margarita B. Dy	(indirect) 5,299,857	Filipino	0.01909%
Common	Myrna Lynne C. Fernandez*	(indirect) 800,500	Filipino	0.00288%
Common	Jose Emmanuel H. Jalandoni	(indirect) 5,383,260	Filipino	0.01939%
Common	Jose Juan Z. Jugo	(indirect) 460,787	Filipino	0.00166%
Common	Laurent P. Lamasuta	(indirect) 2,378,791	Filipino	0.00857%
Preferred		(indirect) 1,977,234		0.00712%
Common	Robert S. Lao	(indirect) 594,648	Filipino	0.00214%
Common	Michael Alexis C. Legaspi	(indirect) 3,651,853	Filipino	0.01315%
Common	Joselito N. Luna	(direct & indirect) 3,760,955	Filipino	0.01355%
Common	Christopher B. Maglanoc	(indirect) 506,485	Filipino	0.00182%
Common	Romeo T. Menpin, Jr.	(direct & indirect) 251,051	Filipino	0.00090%
Common	William Thomas F. Mirasol	(indirect) 186,146	Filipino	0.00067%
Common	Rodelito J. Ocampo	(direct & indirect) 1,303,090	Filipino	0.00469%
Common	Angelica L. Salvador	(direct & indirect) 1,008,190	Filipino	0.00363%
Common	Ma. Rowena Victoria M. Tomeldan	(direct & indirect) 1,249,281	Filipino	0.00450%
Common	Solomon M. Hermosura	(direct) 480	Filipino	0.00000%
Preferred		(direct) 480		0.00000%
All Directors and Officers as a group		107,727,925		0.388011%
* Vice President effective January 1, 2016.				
**Retired effective December 31, 2015.				

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

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

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

iv. **Changes in Control**

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

(e) **Foreign ownership level as of January 31, 2016:**

Security	Total Outstanding Shares	Shares Owned By Foreigners	Percent of Ownership
Common Shares	14,695,631,367	5,794,099,207	
Voting Preferred Shares	13,066,494,759	609,481,475	
Total	27,762,126,126	6,403,580,682	23.07%

Item 5. **Directors and Executive Officers**

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

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

The record of attendance of the directors at the meetings of the Board of Directors (the “Board”) held in 2015 is as follows:

Directors	No. of Meetings Attended/Held⁷	Percent Present
Fernando Zobel de Ayala	6/6	100%
Antonino T. Aquino	6/6	100%
Bernard Vincent O. Dy	6/6	100%
Jaime Augusto Zobel de Ayala	6/6	100%
Delfin L. Lazaro	6/6	100%
Vincent Y. Tan	6/6	100%
Francis G. Estrada	6/6	100%
Jaime C. Laya	6/6	100%
Rizalina G. Mantaring	5/6	83%

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

(a) **Information required of Directors and Executive Officers**

i. **Directors and Executive Officers**

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

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

The nominees were formally nominated to the Nomination Committee by a shareholder of the Company, Ms. Michelle Marie T. Valbuena. Ms. Rizalina G. Mantaring, and Messrs. Francis G. Estrada and Jaime C. Laya, all incumbent directors, are nominated as independent directors. Ms. Valbuena is not related to any of the nominees for

⁷ In 2015 and during the incumbency of the director.

independent directors. The Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors) and the By-Laws of the Company.

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

Messrs. Fernando Zobel de Ayala, Jaime Augusto Zobel de Ayala, Delfin L. Lazaro, Antonino T. Aquino, Francis G. Estrada and Jaime C. Laya have served as directors of the Company for more than five years. Messrs. Bernard Vincent O. Dy, and Ms. Rizalina G. Mantaring for two years. Mr. Arturo G. Corpuz is nominated as director of the Company for the first time.

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

ii. Significant employees

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

iii. Family Relationships

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

iv. Involvement in Certain Legal Proceedings

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

As of end-2015 the Company is not involved in any litigation it considers material. In any event, below are the legal proceedings involving the Company that may be significant.

Las Piñas Property

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

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

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

(b) Certain Relationships and Related Transactions

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

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

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

(c) Ownership Structure and Parent Company

As of January 31, 2016, Ayala Corporation owns 68.79% of the total outstanding voting shares of the Company.

(d) Resignation of Directors

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

Item 6. Compensation of Directors and Executive Officers

(a) Executive Compensation

The Company adopts a performance-based compensation scheme. The total annual compensation of the President and top four highly compensated executives amounted to P135.5 million in 2014 and P167.0 million in 2015. The projected total annual compensation for the current year is P173.0 million.

Total compensation paid to all senior personnel from Manager and up amounted to P981.3 million in 2014 and P1,070.3 million in 2015. The projected total annual compensation for the current year is P1,119.0 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Bernard Vincent O. Dy* President & CEO			
Arturo G. Corpuz Senior Vice President			
Raul M. Irlanda Senior Vice President			
Emilio Lolito J. Tumbocon Senior Vice President			
Jaime E. Ysmael Senior Vice President			
CEO & Most Highly Compensated Executive Officers	Actual 2014 (restated)	P87.5M	P48M
	Actual 2015	P88.0M	P79M
	Projected 2016	P94.0M	**P79M
All other officers***	Actual 2014 (restated)	P656.5M	P324.8M

as a group unnamed	Actual 2015	P697.1M	P373.2M
	Projected 2016	P745.8M	**P373.2M
* Compensation includes full year effect of CEO and market adjustments to selected officers for retention purposes. ** Exclusive of Stock Option exercise. *** Managers and up.			

The total annual compensation paid to all senior personnel from Manager and up was all paid in cash.

The total annual compensation includes the basic salary and other variable pay (guaranteed bonus and performance bonus).

(b) Compensation of Directors

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

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

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

i. Standard Arrangement (Current Compensation)

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

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

ii. Other Arrangement

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

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

(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

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

(d) Warrants and Options Outstanding: Repricing

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

There were no ESOP shares available as of end-December 2015

Item 7. **Independent Public Accountants**

- (a) The principal accountant and external auditor of the Company is SyCip, Gorres, Velayo & Co. (SGV & Co.). The same accounting firm is being recommended for re-election at the annual stockholders' meeting.
- (b) Representatives of SGV & Co. for the current year and for the most recently completed fiscal year are expected to be present at the annual stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

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

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

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

(d) **Audit and Audit-Related Fees**

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

Year	Audit & Audit-related Fees	Tax Fees	Other Fees
2015	22.69*	-	1.95**
2014	19.01*	-	0.13**

* Pertains to audit fees.

**SGV fees for the validation of stockholders' votes during the annual stockholders' meeting and other assurance fees.

(e) **Tax Fees**

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

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

Item 8. **Compensation Plans**

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

The audited financial statements as of December 31, 2015, Management's Discussion and Analysis, Market Price of Shares and Dividends and other data related to the Company's financial information are attached hereto as Annex "B". The Schedules required under Part IV(c) of Rule 68 will be included in the Annual Report (SEC Form 17-A).

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2015. The Group will also adopt several amended and revised standards and interpretations in 2016 and onwards.

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Approval of the Minutes of the 2015 annual meeting of stockholders held on April 6, 2015 covering the following matters:

- i. Annual report;
- ii. Ratification and approval of all resolutions of the Board and the Executive Committee, and all acts of the Management after the annual stockholders' meeting on April 7, 2014 until the annual stockholders' meeting on April 6, 2015;
- iii. Election of the members of the Board, including the Independent Directors, and
- iv. Election of the external auditor and fixing of its remuneration.

(b) Approval of the annual report of the Management for the year ending December 31, 2015, including the 2015 audited financial statements.

Item 16. Matters Not Required to be Submitted

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

Item 17. Amendment of Charter, Bylaws or Other Documents

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

Item 18. Other Proposed Action

- (a) Election of the members of the Board, including the independent directors, for the ensuing year.
- (b) Election of the external auditor and fixing of its remuneration.

Item 19. Voting Procedures

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

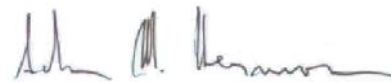
In all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one vote.

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

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the day of 3rd day of March 2016.

AYALA LAND, INC.



SOLOMON M. HERMOSURA
Corporate Secretary and Group General Counsel

ANNEX “A”

DIRECTORS AND KEY OFFICERS (as of December 31, 2015)

The write-ups below include positions held as of December 31, 2015 and in the past five years, and personal data as of December 31, 2015 of directors and executive officers.

Board of Directors

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

Fernando Zobel de Ayala, Filipino, 55, has served as Chairman of the Board of ALI since April 1999. He holds the following positions in publicly listed companies: President and Chief Operating Officer of Ayala Corporation; Chairman of Manila Water Company, Inc.; and Director of Bank of The Philippine Islands, Globe Telecom, Inc. and Integrated Micro-Electronics, Inc. He is the Chairman of AC International Finance Ltd., Ayala International Holdings Limited, Accendo Commercial Corporation, Alabang Commercial Corporation, Automobile Central Enterprises, Inc., Ayala Automotive Holdings Corporation, Liontide Holdings, Inc., AC Energy Holdings, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice Chairman of Ceci Realty, Inc., Vesta Property Holdings, Inc., Aurora Properties, Inc., Columbus Holdings, Inc. Emerging City Holdings, Inc., Fort Bonifacio Development Corporation, and Bonifacio Land Corporation; Director of Livelt Investments, Ltd., Asiacom Philippines, Inc., AG Holdings Limited, Ayala International Holdings Limited, AI North America, Inc., AC Infrastructure Holdings Corporation, Ayala Retirement Fund Holdings, Inc., 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, Habitat for Humanity International and Asia Philanthropy Circle; 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, National Museum, the foundation of the Roman Catholic Church and Asia Society. He graduated with B.A. Liberal Arts at Harvard College in 1982.

Jaime Augusto Zobel de Ayala, Filipino, 56, has served as a Director, Vice Chairman and member of the Executive Committee of ALI since June 1988. He holds the following positions in publicly listed companies: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Manila Water Company, Inc. He is also the Co-Chairman of Ayala Foundation, Inc.; Vice Chairman of AC Energy Holdings, Inc.; Chairman Emeritus of the Asia Business Council; Chairman of Harvard Business School Asia-Pacific Advisory Board and World Wildlife Fund Philippine Advisory Council; and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, Endeavor Philippines and Singapore Management University. He graduated with B.A. in Economics (Cum Laude) at Harvard College in 1981 and took his MBA at the Harvard Graduate School of Business Administration in 1987.

Bernard Vincent O. Dy, Filipino, 52, is the President & Chief Executive Officer of ALI effective April 7, 2014. Prior to this post, he was the Head of the Residential Business, Commercial Business and Corporate Marketing and Sales of ALI. He is the Chairman of two other publicly listed companies namely: Cebu Holdings, Inc. and Cebu Property Ventures and Development Corporation. His other significant positions include: Chairman of Ayala Property Management Corporation, Ayala Land International Sales, Inc., Amicassa Process Solutions, Inc., Amaia Land Corporation, Avida Land Corp., Alveo Land Corp., Alviera Country Club, Inc., Ayalaland Commercial Reit, Inc., Lagdigan Land Corporation, Bellavita Land Corporation, Avencosouth Corp., Ayagold Retailers, Inc., Station Square East Commercial Corporation, Aviana Development Corp., Cagayan De Oro Gateway Corp., BGSouth

Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., Portico Land Corp., and ALI Capital Corp.; Vice Chairman of Ayala Greenfield Development Corporation; Chairman and President of Serendra, Inc.; and; Director and President of Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc. Berkshires Holdings, Inc., Fort Bonifacio Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Alabang Commercial Corporation, Accendo Commercial Corp., Hero Foundation Incorporated, Bonifacio Art Foundation.; Director of, Ayala Land Sales, Inc., North Triangle Depot Commercial Corporation, Ayala Greenfield Golf & Leisure Club, Makati Development Corporation, Nuevocentro, Inc., Whiteknight Holdings, Inc., Ayalaland Medical Facilities Leasing, Inc., Alveo-Federal Land Communities, Inc., Philippine Integrated Energy Solutions, Inc.; Trustee of Ayala Foundation, Inc.; Member of Ayala Group Club, Inc.; and Treasurer of SIAL Specialty Retailers, Inc. and SIAL CVS Retailers, Inc. In 2015, he was inducted as member of the Advisory Council of the National Advisory Group for the Police Transformation Development of the Philippine National Police. He earned a degree of B.B.A Accountancy from the University of Notre Dame in 1985 and took his Master's Degree in Business Administration and International Relations at the University of Chicago in 1997 and 1989, respectively.

Antonino T. Aquino, Filipino, 68, has served as Director of ALI since April 2009. He is also a Director of Manila Water Company, Inc. (MWC), another publicly listed company, since 1999. He was the President of ALI from April 2009 to April 2014, MWC from April 1999 to April 2009, and 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. In 2015, Mr. Aquino was elected as Director of The Philippine American Life and General Insurance Company (Philam). 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, 69, has served as member of the Board of ALI since April 1996. He holds the following positions in publicly listed companies: Director of Ayala Corporation, Integrated Micro-Electronics, Inc., Manila Water Company, Inc., and Globe Telecom, Inc.; and Independent Director of Lafarge Republic, Inc. His other significant positions include: Chairman of Philwater Holdings Company, Inc. and Atlas Fertilizer & Chemicals Inc.; Chairman and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Energy Holdings, Inc., AC Infrastructure Holdings Corporation, Ayala International Holdings, Ltd., Bestfull Holdings Limited, Probe Productions, Inc. and Empire Insurance Company; and Trustee of Insular Life Assurance Co., Ltd. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Vincent Y. Tan, Canadian, 65, has been a director of ALI since April 2014. Prior to retiring from active management in April 2014, he was an Executive Vice President and Head of the Planning Group and a member of the Management Committee of ALI. He continues to provide informal inputs and training in sustainability and other topics of interest to the ALI management team. He graduated with a degree of BS Management Engineering from Ateneo de Manila University, a 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, 66, has served as Independent Director of ALI since April 2008. His other significant positions are: Independent Director of Philamlife and General Insurance Co. (Chairman, Risk Management Committee; Member of the Audit and Investment Committees); Chairman, Advisory Council, Development Bank of the Philippines; 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, 76, has served as an Independent Director of ALI since April 2010. He is member of the Board of Directors of publicly listed companies, being Independent Director of GMA Network, Inc., GMA Holdings, Inc. and Manila Water Company, Inc. and Regular Director of Philippine Trust Company (Philtrust Bank). His other significant positions are: Chairman and President of 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, Manila Polo Club, and other non-profit, non-stock corporations. He graduated magna cum laude from University of the Philippines in 1957 with a degree in B.S.B.A. (Accounting) and completed his M.S. in Industrial Management at Georgia Institute of Technology in 1960. He later graduated from Stanford University as Ph.D. in Financial Management in 1967. He has served as Minister of the Budget, Minister of Education, Culture and Sports, Governor of the Central Bank of the Philippines, Chairman of the National Commission for Culture and the Arts, and Professor and Dean of Business Administration of the University of the Philippines.

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

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

All incumbent directors, except Mr. Vincent Y. Tan

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

Management Committee Members / Key Executive Officers

Bernard Vincent O. Dy*	President and Chief Executive Officer
Dante M. Abando**	Senior Vice President
Arturo G. Corpuz	Senior Vice President
Anna Ma. Margarita B. Dy	Senior Vice President
Raul M. Irlanda***	Senior Vice President
Jose Emmanuel H. Jalandoni	Senior Vice President
Emilio Lolito J. Tumbocon***	Senior Vice President
Jaime E. Ysmael	Senior Vice President, Chief Finance Officer, Chief Information Officer & Chief Compliance Officer
Leovigildo D. Abot	Vice President
Augusto D. Bengzon	Vice President & Treasurer
Aniceto V. Bisnar, Jr.	Vice President
Manuel A. Blas II	Vice President
Maria Corazon G. Dizon***	Vice President
Myrna Lynne C. Fernandez****	Vice President

Jose Juan Z. Jugo	Vice President
Laurent P. Lamasuta	Vice President
Robert S. Lao	Vice President
Michael Alexis C. Legaspi	Vice President
Joselito N. Luna	Vice President
Christopher B. Maglanoc	Vice President
Romeo T. Menpin, Jr.	Vice President
William Thomas F. Mirasol	Vice President
Rodelito J. Ocampo	Vice President
Angelica L. Salvador	Vice President
Maria Rowena Victoria M. Tomeldan	Vice President
Solomon M. Hermosura	Corporate Secretary & Group General Counsel
<i>*Member of the Board, **Senior Vice President effective January 1, 2016, ***Retired effective December 31, 2015,</i>	
<i>****Vice President effective January 1, 2016.</i>	

Dante M. Abando, Filipino, 51, is a Senior Vice President and Member of the Management Committee of ALI. He is concurrently the President and a Member of the Board of Directors of Makati Development Corporation. His other significant positions include: Chairman of MDC BuildPlus; Chairman and President of MDC Concrete, Inc. and MDC Equipment Solutions, Inc.; President of MDC Subic; Past President and Board Member of Alveo Land Corporation; Board member of Avida Land Corporation, Serendra, Inc. and Anvaya Cove Golf & Sports Club, Inc. He is the 2016 President of Philippine Constructors Association where he also served as past 1st & 2nd Vice President & Trustee and Treasurer and Trustee of UP Alumni Engineers. He graduated with a degree in Bachelor of Science in Civil Engineering from the University of the Philippines in 1986 and he earned his Master's degree in Business Administration also from the University of the Philippines in 1995. In 2012, he finished the Executive Program on Real Estate Management at Harvard University Graduate School of Business.

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

Anna Ma. Margarita B. Dy, Filipino, 46, is a Senior Vice President since January 1, 2015 and member of the Management Committee of Ayala Land, Inc. since August 2008. She is the Head of the Strategic Landbank Management (SLMG) of ALI. Her other significant positions include: Director and Executive Vice President of Fort Bonifacio Development Corporation; Director and President of Nuevocentro, Inc. and Alviera Country Club, Inc; Director of Aurora Properties, Inc., Vesta Properties Holdings, Inc., CECI Realty, Inc., AyalaLand Medical Facilities Leasing, Inc. and Next Urban Alliance Development Corp. Prior to joining ALI, she was a Vice President of Benpres Holdings Corporation. She graduated magna cum laude from Ateneo De Manila University with BS of Arts Degree in Economics Honors Program. She earned her Master's degree in economics from London School of Economics and Political Science UK 1991 and MBA at Harvard Graduate School of Business Administration in Boston.

Raul M. Irlanda, CFM, Filipino, 60, is a Senior Vice-President of Ayala Land Inc. and a member of the Management Committee until December 31, 2015. He is the Chairman of the Board and Chief Executive Officer of Ayala Property Management Corporation, President and Chief Executive Officer and Director of Philippine Integrated Energy Solutions Inc. and DirectPower Service, Inc., Board Member of Makati Development Corporation and MDC BuildPlus. He is also the Vice-President and Director of Tower One Condominium Corporation, and the first and only Filipino Certified Facility Manager (CFM) by the International Facility Management Association (IFMA), Governor of Ayala Center Estate Association (ACEA) and Makati Commercial Estate Association Inc. (MaCEA) also the head of Ayala Security Force (ASF), and Trustee YMCA Makati. He graduated with a degree of Bachelor of Science in Management/Finance from San Sebastian College, took Masteral studies in Business Administration major in Financial Management from De La Salle University. He also completed the Executive Development Program at the Aresty Institute of Executive Education at The Wharton School, University of Pennsylvania.

Jose Emmanuel H. Jalandoni, Filipino, 47, is a Senior Vice President and member of the Management Committee of Ayala Land, Inc. He is the Group Head of commercial businesses including malls, offices, hotels, resorts and ALI Capital. His other significant positions include: Chairman of AyalaLand Offices, AyalaLand Hotels and Resorts Corporation, Cebu Insular Hotel Co., Inc., Ten Knots Philippines, Inc., Ten Knots Development Corporation, Laguna Technopark, Inc., Arvo Commercial Corporation, Central Block Developers, Inc; Arca South Terminal Inc. and ALI Commercial Center, Inc. He is also a director of OCLP Holdings, Inc., North Triangle Depot Commercial Corporation, Alabang Commercial Corporation, Station Square East Commercial Corporation, Accendo Commercial Corporation, Pangulasian Island Resort Corp., Integrated Eco-Resort, Inc., Paragua Eco-Resort Ventures, Inc., Sicogon Town Hotel, Inc., Lio Resort Ventures Inc. and North Liberty Resort Ventures Inc. He joined ALI in 1996 and held various positions in the company. He graduated with a degree of Bachelor of Science in Legal Management from Ateneo de Manila University. He earned his Master's Degree in Business Administration from Asian Institute of Management. He is a Chartered Financial Analyst.

Emilio Lolito J. Tumbocon, Filipino, 59, is a Senior VicePresident at ALI, and a member of its Management Committee until December 31, 2015. He is the Group Head of the Visayas-Mindanao Group and the Human Resources & Public Affairs Group. He is a Director of Cebu Holdings, Inc., Cebu District Property Enterprise, Inc., Accendo Commercial Corporation, Cagayan de Oro Gateway Corporation, Taft Punta Engaño Property, Inc., Alveo Land Corporation, Makati Development Corporation, Ecozone Power Management Corp., Laguna Technopark, Inc., Anvaya Cove Golf & Sports Club, Inc., Northgate Hotel Ventures, Inc., Aviana Development Corporation, Southcrest Hotel Ventures, Inc., and North Point Estate Association, Inc.. He graduated at the University of the Philippines with a degree of B.S. in Civil Engineering in 1979 and finished his Master's in Business Administration (MBA) in the same university in 1985. He also took the Construction Executive Program (CEPS '87) at Stanford University, California, U.S.A., the Senior Business Executive Program (SBEP'91) at the University of Asia & the Pacific, and The Executive Program (TEP'97) at the Darden Graduate School of Business Administration, University of Virginia, U.S.A. He is a member of the Construction Industry Arbitration Commission of the Construction Industry Authority of the Philippines, Department of Trade & Industry and is a certified Project Management Professional (PMP) of the Project Management Institute since 2006. He has 35 years of extensive work experience in the construction and real estate industry.

Jaime E. Ysmael, Filipino, 55, is a Senior Vice President, Group Chief Finance Officer, Chief Information Officer, Compliance Officer and member of the Management Committee of ALI. Concurrently, he is a Managing Director of Ayala Corporation and Chairman, President & Chief Executive Officer of OCLP Holdings, Inc. and Concrete Aggregates Corporation. His other significant positions include: Chairman of Anvaya Cove Beach and Nature Club, Inc. and Aprisa Business Process Solutions, Inc.; Director and Vice Chairman of CMPI Holdings, Inc.; Chairman and President of Tower One & Exchange Plaza Condominium Corporation; Director and Treasurer of Ayala Land International Sales, Inc., Ayala Land Sales, Inc., Alveo Land Corp., Laguna Technopark, Inc., Serendra, Inc., Ayala Hotels, Inc., AyalaLand Hotels and Resorts Corporation, Cebu Holdings, Inc., and Philippine Integrated Energy Solutions, Inc.; Director, Treasurer and Compliance Officer of Anvaya Cove Golf and Sports Club, Inc.; Director of Alviera Country Club, Inc., Alabang Commercial Corp., Amaia Land Corp., Avida Land Corp., North Triangle Depot Commercial Corp., Station Square East Commercial Corp., Nuevocentro, Inc., Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Properties Holdings, Inc; and Treasurer of Cebu Property Ventures and Development Corporation and AyalaLand Medical Facilities Leasing, Inc. He is also Chairman of FINEX Research and Development Foundation, Inc. and member of the Board of Directors of the Financial Executives Institute of the Philippines, Inc. and the Asia Pacific Real Estate Association Ltd. Philippine Chapter. Mr. Ysmael holds a degree in Business Administration, Major in Accounting (Summa Cum Laude) at the University of the East, Manila, Philippines and is a Certified Public Accountant. He earned an MBA, Major in Finance, at The Wharton School and an MBA in International Studies at The School of Arts and Sciences of the University of Pennsylvania in Philadelphia, Pennsylvania, USA, as a fellow of The Joseph H. Lauder Institute of Management and International Studies.

Leovigildo D. Abot, Filipino, 52, is currently a Vice President and Chief Audit Executive (CAE) of Ayala Land, Inc. He joined ALI in 2000 as Chief Finance Officer (CFO) of Ayala Hotels, Inc. Over the years in ALI, he occupied several CFO positions in other ALI's business units such as Avida Land Corporation, Land and Community Development Group or LCDG (now ALP) and Strategic Landbank Management Group (SLMG). Prior to Audit, he was the Head of ALI's Corporate Accounting Division, concurrent to

his CFO assignment in SLMG. As ALI's Principal Accounting Officer, he led the transformation initiative of consolidating the transactional accounting functions of more than 25 ALI companies into Aprisa Business Process Solutions, Inc. He also headed ALI's transition to international accounting and reporting standards (IAS/IFRS). He graduated Magna Cum Laude from University of the East- Manila with BS in Business Administration, major in Accounting (Honors Program) in 1984. A Certified Public Accountant (CPA), he completed his Strategic Business Economics Program (SBEP) at University of Asia and the Pacific from 1999 to 2000.

Augusto D. Bengzon, Filipino, 52, joined ALI in December 2004 as Vice President and Treasurer. His other significant positions include: Treasurer of Avida Land Corporation, Makati Development Corp., Roxas Land Corporation, Aurora Properties, Inc., AyalaLand Medical Facilities Leasing, Inc., Next Urban Alliance Corp., Nuevocentro, Inc., Vesta Properties Holdings, Inc., CECI Realty, Inc and Hero Foundation, Inc.; Director of the Anvaya Cove Golf and Sports Club, Inc. and Alviara Country Club, Inc.; Trustee of the PNP Foundation, Inc., and the Dr. Fe del Mundo Medical Center Foundation Phils., Inc. Prior to joining ALI, he was a Vice President and Credit Officer in Global Relationship Banking at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Portfolio Management, Debt Syndication and Relationship Management. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted a full scholarship at the Asian Institute of Management where he received his Master's in Business Management degree.

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

Manuel A. Blas II, Filipino, 60, is a Vice President of Ayala Land Inc. since January 2007, and is currently the Head of Commercial Operations in Fort Bonifacio Development Corporation and Head of Project Development for Makati. He is also assigned as Managing Director of Bonifacio Arts Foundation, Inc. He spearheaded the project development of The Mind Museum, the first world class science museum in the country. He also holds other significant positions in Fort Bonifacio Development Corporation Subsidiaries: President of Bonifacio Estate Services Corporation, Executive Vice President of Bonifacio Transport Corporation, Director of Bonifacio Global City Estate Association, Bonifacio Water Corporation and Bonifacio Gas Corporation. He graduated Valedictorian, Summa Cum Laude from De La Salle University with a Bachelor's Degree in Liberal Arts, major in Economic and Theology and also completed his Masters in Arts degree in Religious Studies in 2004 and graduated as Summa Cum Laude from Maryhill School of Theology.

Maria Corazon G. Dizon, Filipino, 52, is a Vice President and Head of ALI-Capital Corp. which is ALI's wholly-owned vehicle for new businesses that include Retailing Businesses (convenience stores, department stores and supermarkets), Entertainment, Tourism Estate developments, Transportation, Power, Healthcare and Asset Management. Prior to her retirement in December 2015, she held the following significant positions in the following companies: Director of ALI Capital Corp., Philippine Family Mart CVS, Inc., SIAL Specialty Retailers, Inc., SIAL CVS Retailers, Inc., Sicogon Island Tourism Estate, Inc., AyaGold Retailers, Inc., Mercado General Hospital Inc, Mercado Ambulatory Surgical Center, Inc, Panay Medical Ventures Inc., DMMC Institute of Health Sciences Inc., Integrated Eco-Resort, Inc., Mercado General Hospital San Jose Del Monte Inc. and Mercado General Hospital Sta. Rosa Inc. Over the years in ALI, she occupied various key positions including Business Development and Strategic Planning Head, Asset Management Head and Chief Finance Officer for the Ayala Malls Group, Head of Corporate Control and Analysis Division, Head of ALI Investor Relations Unit and Chief

Finance Officer of Residential and Office Buildings Groups. She is a Certified Public Accountant, graduated with a degree on BSC Accounting from the University of Sto. Tomas in 1984 and completed units for a Master's in Business Administration degree from the De La Salle Graduate School by 2003.

Myrna Lynne C. Fernandez, Filipino, 47, is a Vice President since January 1, 2016. She is the Head of Leasing and Operations of Ayala Malls and President of Ayala Theaters Management Inc. that manages cinema operations in all Ayala Malls. Her other significant positions include Director of AyalaLand Malls Northeast, Inc. and AyalaLand Malls Vismin, Inc. She is a graduate of Bachelor of Science in Business Administration at the University of the Philippines - Diliman. She earned her MBA from the Asian Institute of Management.

Jose Juan Z. Jugo, Filipino, 44, has been a Vice President of ALI since January 2013. His is currently the Managing Director of Ayala Land Premier. His other key functions are as Chairman of Ayala Land Sales, Inc., South Portal Properties, Inc., Anvaya Environmental Foundation, Inc., Ayala Club Management, Inc., and Verde Golf Development Corporation. He is also President & CEO of Anvaya Cove Beach and Nature Club, Inc., and Anvaya Cove Golf and Sports Club, Inc. He is likewise a Director in BG West Properties, Inc., Roxas Land Corporation, BellaVita Land Corporation, Aviana Development Corporation, Ayala Greenfield Development Corporation, Ayala Greenfield Golf & Leisure Club, and Amicassa Process Solutions, Inc. He earned his Bachelor's Degree in Marketing Management from De La Salle University Manila in 1994, and then completed his Masteral Studies in ESEM, Madrid, Spain. Before joining ALI in 2000, he held management positions in the fast moving consumer goods sector.

Laurent P. Lamasuta, Filipino, 50, is a Vice President of ALI since January 2015 and is currently President of Ayala Property Management Corporation (APMC). Prior to joining APMC, he was President and CEO of Ten Knots Development Corporation; developer, operator and manager of El Nido Resorts comprising of four eco-tourism island resorts in Palawan. Mr. Lamasuta has had several posts with the international luxury hotel industry with stints in independent top properties like The Ritz in Paris, the Dorchester in London, The Manila Hotel in Manila as well as international brands like Intercontinental Hotels, Ritz-Carlton Hotels and Le Meridien Hotels. Previously he was a Senior Advisor of Ayala Land for member and customer relations of its Residential Business Group. He Joined Ayala Land in 2005 to open Ayala Greenfield Golf and Leisure Club, Inc., and Anvaya Cove Beach and Nature Club. Some of Mr. Lamasuta's Board Directorships include Ten Knots Development Corporation, Ten Knots Philippines, Bacuit Bay Development, Chirica Corp., Ayala Greenfield Golf and Leisure Club, Anvaya Cove Beach and Nature Club, Inc., Anvaya Cove Golf and Sports Club, Inc., Ayala Club Management Inc., Pangulasian Isand Resort Corp., Anvaya Cove Foundation, El Nido Foundation, and Chairman of Prime Support Services, Inc. He graduated from Collège "La Rostagne," in Antibes, France, and further gained a degree in tourism and hotel management in 1985 with the following qualifications: Certificat d'Aptitude Professionnelle (C.A.P.), Brevet d'Enseignement Professionel (B.E.P.), and Brevet de Technicien Hôtelier (B.T.H.) from the Lycée d'Hôtellerie et de Tourisme, in Nice, France. He is a recipient of the Hotel and Catering International Management Association (HCIMA) Certificate and License in Hotel Management given by the Westminster College in London, England.

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

Michael Alexis C. Legaspi, Filipino, 57, is a Vice President of ALI since July 2009, and President AyalaLand Hotels & Resorts Corp and concurrently President and CEO of El Nido Resorts. He also serves as the President/Director of Enjay Hotels, Inc., Cebu Insular Hotel Co., Inc., Greenhaven Property Ventures, Inc., ALI Makati Hotel & Residences, Inc., ALI Makati Hotel Property, Inc., Bonifacio Hotel Ventures, Inc., North Triangle Hotel Ventures, Inc., Ecosouth Hotel Ventures, Inc., Sentera Hotel Ventures, Inc., Capitol Central Hotel Ventures, Inc., Arcasouth Hotel Ventures, Inc., Circuit Makati Hotel Ventures, Inc., Econorth Resort Ventures, Inc., ALI Triangle Hotel Ventures, Inc., Northgate Hotel

Ventures, Inc., Southcrest Hotel Ventures, Inc., Sicogon Town Hotel, Inc., Paragua Eco-Resorts Ventures, Inc., Ten Knots Development Corp., Ten Knots Phils., Inc., Lio Resorts Venture, Inc., North Liberty Resorts Ventures, Inc., and Pangulasian Island Resort Corp. He previously held the following positions: Head of Sales Division of ALI, Resident Manager of Oakwood Premier Ayala Center and Senior Vice President and Head of Operations of Ayala Property Management Corporation. He graduated with a degree of B.S. Hotel Restaurant Administration from the University of the Philippines, Diliman in 1980.

Joselito N. Luna, Filipino, 52, is a Vice President and member of Ayala Land's Management Committee since August 2008. He is also Ayala Land, Inc.'s Chief Architect and Head of Innovation and Design. His other significant positions include: Director of Vesta Properties Holdings, Inc., Aurora Properties, Inc., Anvaya Cove Beach and Nature Club Inc. and a member of the Board of Trustees of Philippine Green Building Council. He is also a member of ALI's Technical Council and is the Chairman of ALI's Safety Council. He graduated with a degree of B.S. Architecture from the University of the Philippines in 1985. He took graduate studies in the School of Urban and Regional Planning in U.P. Diliman from 1987 to 1989. In 2003 he completed the Executive Education Program of the University of Michigan Business School, Ann Arbor.

Christopher B. Maglanoc, Filipino, 45, is a Vice President of ALI since April 2013 and is currently President of Avida Land Corporation. He was Chief Operating Officer and Head of Project and Strategic Management in Avida Land before he was elected as President of the Company effective January 1, 2012. Prior to his stint in Avida in 2004, he occupied Management positions in various business units in Ayala Land, Inc. (i.e. Commercial Centers, Corporate Planning, and Alveo Land, Inc.). His other significant positions include: Chairman of Avida Sales Corp.; President of Avencosouth Corp.; Director of AmicaSSA Process Solutions, Inc., BellaVita, Blue Horizons Holdings Pte Ltd., and BGNorth Properties, Inc. He graduated from UP Los Baños with degrees in BA Sociology and BS Economics in 1990 and 1992, respectively. He finished his MBA from the Asian Institute of Management and attended the International Student Exchange Program in Copenhagen Business School in Denmark in 1997.

Romeo T. Menpin, Jr, Filipino, 46, is a Vice President of ALI since January 2014. He is currently the Head of the Electro Mechanical and Commissioning Group of Makati Development Corporation. Before joining MDC, he was a Director, President and Chief Operating Officer of Ayala Property Management Corporation and also the President of Philippine Integrated Energy Solutions Inc. He is also a Director of PhilEnergy. He joined ALI in May 2008 from Kuok Group of Companies where he was a Vice President and Head of Mall Operations of Shangri-la Plaza Corporation. Prior to this, he also held various management positions from APMC and Laguna Technopark, Inc. since 1996. He graduated with a degree of Bachelor of Science in Mechanical Engineering from Mapua Institute of Technology and completed units in Masters in Business Administration from De La Salle University in 2001.

William Thomas F. Mirasol, Filipino, 51, is a Vice President of Ayala Land, Inc. since January 2014 and is currently the Chief Operating Officer and Senior Vice President of OCLP Holdings, Inc. and a director of a number of Ayala Land subsidiaries. In his 24 years with the company, he has handled various business lines including retail operations, commercial project development, commercial leasing and operations, Land & House development and sales force organization & management for local and international markets. He graduated from De La Salle University Manila with a degree in Commerce in 1989. He finished his MBM from the Asian Institute of Management in 1992.

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

Angelica L. Salvador, Filipino, 53, is a Vice President of Ayala Land, Inc., and is currently the Controller of the Company. Her other key functions are: President of AmicaSSa Process Solutions, Inc. and of Aprisa Business Process Solutions, Inc. and Member of the Board of Directors of Amaia Land Corp. Prior to her current assignment, she was the Chief Finance Officer of the ALI Residential

Business Group and of various ALI-owned subsidiaries Alveo Land Corp., Ayala Property Management Corp., Laguna Technopark, Inc. and Ayala Land International Sales, Inc. Before joining Ayala Land, she was part of the Internal Audit Team of Ayala Corporation. She graduated cum laude from the University of the Philippines Diliman with degree in BS Business Administration and Accountancy, and obtained her MBA from the Asian Institute of Management.

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

Solomon M. Hermosura, Filipino, 53, has served as Corporate Secretary of the Company since April 2011 and the Group General Counsel of the Company since April 2015. He was the General Counsel from April 2014 to April 2015. He is a Managing Director of Ayala Corporation and a member of its Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc. and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

ANNEX “B”

I. MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Review of 2015 operations vs. 2014

Ayala Land, Inc. (ALI or “the Company”) generated a net income after tax (attributable to equity holders of ALI) of P17.63 billion in 2015, 19% higher than the P14.80 billion posted in 2014. Consolidated revenues reached P107.18 billion, 13% higher than the P95.20 billion posted in the same period last year. Revenues from Real Estate increased by 13% to P100.66 billion driven by the steady performance of its Property Development, Commercial Leasing and Services businesses.

The ratio of General and Administrative Expenses (GAE) to revenues improved further to 6.2% from 6.5% while the Earnings before interest and taxes (EBIT) margin registered higher at 29% from 27% during the same period last year.

Business Segments

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

Property Development. This includes the sale of residential lots and units, office spaces, as well as commercial and industrial Lots. Total revenues from Property Development amounted to P67.77 billion in 2015, 10% higher than the P61.84 billion reported during the same period in 2014.

Revenues from the sale of residential lots and units reached P58.39 billion, 12% higher than the P52.26 billion posted in the same period last year, driven by bookings and project completion across all residential brands.

Ayala Land Premier (ALP) registered revenues of P23.40 billion, slightly higher than the P22.49 billion posted in the same period in 2014 driven by higher bookings in West Gallery Place in Bonifacio Global City and Riomonte in Nuvali, Laguna and increased project completion of The Courtyards in Veramosa, Cavite and high-end residential building projects such as the Two Roxas Triangle and Garden Tower 2 in Ayala Center Makati, The Suites and East Gallery Place in Bonifacio Global City Taguig and Park Point Residences in Cebu.

Alveo meanwhile registered revenues of P14.36 billion, 31% higher than the P10.99 billion generated in the same period last year brought about by higher bookings and completion of subdivision projects such as Lumira and Mondia in Nuvali, Santa Rosa Laguna and Montala in Alvia, Porac Pampanga and condominium projects namely Kroma in Makati, Veranda Tower 1 in Arca South, Taguig, Verve Residences 1, Park Triangle Residences and Two Maridien in Bonifacio Global City, Taguig and Solinea Tower 1 and 3 in Cebu.

Avida and Amaia likewise recorded growth, with Avida reaching P14.74 billion in revenues, or 12% higher compared to same period last year and Amaia registering revenues of P3.91 billion, or 8% higher compared to same period in 2014. The increased bookings of Avida Settings in Alvia and One Union Place 1 and 2 in Arca South combined with higher project completion of Vita Towers in Vertis North, Verte Tower 1 and The Montane in Bonifacio Global City, contributed to the increase in revenues of Avida while Amaia’s major contributors are Steps Nuvali, Steps Altaraza in San Jose Del Monte Bulacan and Scapes General Trias, Cavite.

BellaVita meanwhile grew its revenues to P529.80 million, posting more than triple growth from P115.60 million last year due to higher bookings from projects in General Trias Cavite, Alaminos Laguna, Tayabas Quezon, Porac Pampanga and Cabanatuan City, Nueva Ecija.

Residential sales for 2015 reached a total of P105.34 billion, 4% higher year-on-year, equivalent to an average monthly sales take-up of P8.8 billion. Residential Gross Profit (GP) margins of horizontal projects improved to 44% from 43% due to the sale of higher margin projects of Alveo such as Lumira, Mirala and Mondia in Nuvali while gross profit margins of vertical developments also improved to 34% from 33%.

Revenues from the sale of office spaces reached P6.42 billion, posting a 32% growth from the P4.86 billion registered in the same period in 2014 driven by bookings from Alveo Financial Tower in Makati CBD and The Stiles in Circuit Makati, higher completion of Alveo's projects such as High Street South Corporate Plaza 1 and 2 and Park Triangle Corporate Plaza and higher sales from Avida projects such as Capital House and One Park Drive in Bonifacio Global City. Gross profit margins of offices for sale buildings are maintained at 38% during the same period last year.

Revenues from the sale of commercial and industrial lots reached P2.74 billion, 42% lower year-on-year from P4.68 billion due to higher lot sales in Nuvali and Arca South in 2014. GP margins of Commercial and Industrial lots improved to 50% from 45% due to sale of higher margin commercial lots in Arca South, Nuvali and Westborough Park.

Commercial Leasing. This includes shopping centers and office leasing as well as hotels and resorts operations. Total revenues from commercial leasing amounted to P24.50 billion in 2015, 16% higher than the P21.21 billion recorded in the same period last year.

Revenues from Shopping Centers reached P13.37 billion, 18% higher year-on-year from P11.36 billion due to the improved performance of Fairview Terraces and UP Town Center and the higher occupancy and average rental rates of existing malls. Shopping Centers EBITDA margin improved to 69% from 65%. Monthly average lease rates registered 1% higher to P1,155 per square meter from P1,146 per square meter in the same period last year. Same store sales grew 3% year on year while same mall rental growth increased by 8% year-on-year. Average occupancy rate registered at 94%. Total gross leasable area (GLA) of Shopping Centers registered at 1.45 million square meters for full year 2015.

Revenues from Office Leasing reached P5.16 billion, 22% higher year-on-year from P4.23 billion due to the higher occupancy and average rental rates of existing buildings and the positive contribution of new offices. Office Leasing EBITDA margin improved to 90% from 87%. Monthly average lease rates of offices registered 3% higher to P698 per square meter from P676 per square meter in the same period last year. Average occupancy rate registered at 84% due to the completion of leased office spaces for tenant fit-out. Total gross leasable area (GLA) of Office Leasing registered at 715 thousand square meters for 2015.

Revenues from Hotels and Resorts reached P5.97 billion, 6% higher year-on-year from P5.62 billion due to the improved revenue-per-available-room (REVPAR) of Fairmont Hotel and the Raffles Residences in Ayala Center Makati, Marriott in Cebu Business Park, SEDA hotels in Bonifacio Global City, Cagayan de Oro, Davao and Nuvali, El Nido Resorts in Palawan and opening of SEDA hotel in Iloilo. REVPAR of hotels increased by 1% to P3,888 per night while REVPAR of resorts increased by 13% to P7,557 per night. Hotels and Resorts EBITDA margin was at 28%. Average occupancy rate of Hotels registered at 73% while Resorts registered at 58% during the period. 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 817 rooms from its Seda Hotels located in Iloilo, Bonifacio Global City, Taguig, Centrio Cagayan de Oro, Abreeza in Davao and Nuvali in Santa Rosa Laguna. Total rooms under the Hotels and Resorts portfolio registered at 2,324 as of December 31, 2015.

Services. This includes the Company's wholly-owned Construction and Property Management companies; respectively Makati Development Corporation and Ayala Property Management Corporation. Total revenues from the Services business amounted to P45.25 billion, 52% higher than the P29.80 billion reported in the same period in 2014.

Revenues from Construction reached P44.07 billion, 53% higher year-on-year from P28.76 billion due to the increase in order book of projects within the Ayala Land Group. Revenues from Property Management reached P1.18 million, 14% higher year-on-year from P1.03 million due to the increase in managed properties from completed projects. Blended EBITDA margins of the Services businesses improved to 14% from 11%.

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

Equity in net earnings of associates and JVs registered a loss of P140 million in 2015 due to the lower net earnings of Fort Bonifacio Development Corporation attributed to the lower inventory of commercial

lots and startup costs from new businesses. Meanwhile, Interest, Investment and Other Income reached P6.66 billion, mainly due to higher interest income on accretion and installment sales.

Expenses

Total expenses registered at P79.43 billion in 2015, 11% higher than the P71.34 billion posted in the same period last year mainly driven by Real Estate and Hotels expenses which grew 10% to P65.34 billion from P59.40 billion last year.

General and Administrative Expenses (GAE) grew by 6% to P6.59 billion from P6.20 billion last year as a result of efficient cost management measures. GAE-to-revenue ratio further improved to 6.2% from 6.5% last year. Interest Expense, Financing and Other Charges meanwhile registered at P7.51 billion, 31% higher year-on year from P5.74 billion, mainly attributed to higher interest expense and a higher average interest rate of 4.71% compared to 4.49% during the previous year.

Project and Capital Expenditure

Ayala Land spent a total of P82.20 billion for project and capital expenditures in 2015. Of the total capital expenditure, 28% was spent on land acquisition, 4% was spent on the development of its estates, 40% was spent on the completion of residential projects and 21% was spent on commercial leasing projects with the rest of the amount disbursed for new businesses, services and other investments.

Financial Condition

Ayala Land posted a solid balance sheet position in 2015 which provides adequate capacity to support its growth plans in the coming years.

Cash and Cash Equivalents including short term investments and UITF investments classified as FVPL stood at P19.54 billion, resulting in a current ratio of 1.14:1. Total Borrowings stood at P130.99 billion as of December 31, 2015 from P124.67 billion as of December 2014, translating to a Debt-to-Equity Ratio of 0.87:1 and a Net Debt-to-Equity Ratio of 0.74:1. Return on Equity was at 14.7% as of December 31, 2015.

	<i>End-December 2015</i>	<i>End-December 2014</i>
Current ratio ¹	1.14:1	1.23:1
Debt-to-equity ratio ²	0.87:1	1.02:1
Net debt-to-equity ratio ³	0.74:1	0.74:1
Profitability Ratios:		
Return on assets ⁴	5.0%	5.0%
Return on equity ⁵	14.7%	14.4%
Asset to Equity ratio ⁶	2.95	3.19
Interest Rate Coverage Ratio ⁷	5.5	5.7

1 Current assets / current liabilities

2 Total debt/ consolidated stockholders' equity attributable to equity holders of ALI (Total debt includes short-term debt, long-term debt and current portion of long-term debt)

3 Net debt/ consolidated stockholders' equity attributable to equity holders of ALI (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)

4 Total Net income / average total assets

5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI

6 Total Assets /Total stockholders' equity

7 EBITDA/Interest expense

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2015.

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

Income Statement items – 2015 versus 2014

13% increase in real estate revenues

Primarily due to higher sales bookings and incremental completion of residential projects and improved performance of the leasing business segments

122% decrease in equity in net earnings of investees

Mainly due to lower equity from FBDC companies given absences of commercial lot sales

24% increase in interest, fees and investment income

Largely due to higher accretion income on installment sales and contribution from higher interest income derived from money market placements and advances to other companies

10% increase in real estate costs

Primarily due to higher real estate revenues arising from higher contribution of residential and leasing business

6% increase in General administrative expenses

Largely due to increase in compensation & benefits related expenses

31% increase in interest expense, financing and other charges

Mainly due to higher borrowings to finance various capital expenditures and provisions made for possible losses and impairments

12% increase in Provision for Income Tax

Largely due to higher taxable income mainly from real estate business

12% increase in net income attributable to non-controlling interests

Primarily due to the increased contribution from BG Companies

Balance Sheet items – 2015 versus 2014

33% decrease in cash and cash equivalents

Largely due to payment of various capital expenditures on land acquisition and additional investments

45% decrease in short term investments

Primarily due to the maturity of Short-term investment placements

88% decrease in fair value through profit or loss financial asset

Mainly due to the maturity of UITF placements that are not renewed and transfer to money market investments

11% increase in accounts and notes receivables (net)

Primarily due to higher sales and additional bookings from residential business group projects (subdivision, condominium and office for sale).

23% increase in real estate Inventories

Largely due to new launches of residential projects

31% increase in non-current accounts and notes receivable

Largely due to additional bookings and increased sales from newly launched and existing residential projects (subdivision, condominium and office for sale).

16% increase in land and improvements

Primarily due to land development works on new acquisition of land parcels

36% decrease in available-for-sale financial assets

Mainly due to the sale of SSI's twenty one million shares of AFS investment

*60% increase in investments in associates and joint ventures
Mainly due to the additional equity infusion to Regent Wise for the acquisition of shares in Modular Construction Technology (MCT) Bhd in Malaysia*

*19% increase in investment properties
Primarily due to additional project costs of malls and office buildings and contribution of additional land acquisition*

*29% increase in property and equipment
Mainly due to MDC's additional batching plants, additional CAPEX for projects and newly acquired assets for new projects and Phil. Energy's purchase of chillers and installation of district cooling system (DCS) in malls*

*23% increase in deferred tax assets
Primarily due to higher deferred tax assets mainly from residential group's tax effect of temporary difference arising from sale and collection on booked accounts.*

*67% increase in other non-current assets
Mainly due to additional acquisition of land parcels for future development*

*14% increase in account and other payables
Primarily due to higher expenses on development and project costs on the completion of existing and new projects, higher payable to suppliers, accrued expenses and taxes payable.*

*36% decrease in short-term debt
Mainly due to bank loan repayments of ALI subsidiaries*

*98% increase in income tax payable
Mainly due to higher taxable income for the period and provision of income tax*

*32% decrease in customers & tenant's deposit
Largely due to decrease in advances and deposits for projects*

*74% increase in current portion of long-term debt
Mainly due to addition and increase in loan amount of ALI and subsidiaries*

*9% decrease in deferred tax liabilities
Primarily coming from the recognition of deferred tax liabilities for the uncollected receivables from Residential development*

*5% decrease in Pension Liability
Mainly due to lower recognized liability on employee benefits.*

*8% increase in long-term debt
Mainly due to increase in loan amount of ALI and subsidiaries*

*23% increase in deposits and other noncurrent liabilities
Largely due to higher non-current security deposits from residential customers and new tenants for offices and increased retention payable*

*36% increase in capital stock
Mainly due to ALI's Equity top up placement in January 2015*

*7% increase in non-controlling interest
Mainly due to increase in 2015 year to date NIAT share of non-controlling interest*

Risks

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

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

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

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

Shopping Center, Office Space and Land Rental

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

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

Hotel and Resort Operations

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

Construction

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

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

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

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

Review of 2014 operations vs. 2013

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

The ratio of General and Administrative Expenses (GAE) to revenues improved further to 6.5% from 7.3% year-on-year. Earnings before interest and taxes (EBIT) margin improved to 31% in 2014 from 28% in the previous year.

Business Segments

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

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

Revenues from the Residential Segment reached P52.26 billion in 2014, 24% higher than in 2013, driven by strong bookings and project completion across all residential brands. Ayala Land Premier (ALP) registered a revenue growth of 48% year-on-year to P23.10 billion, driven by significant bookings from residential lots in Soliento in Nuvali, The Courtyards in Imus and Dasmarinas, Cavite, Ayala Westgrove Heights in Silang, Cavite and Ayala Greenfield Estates in Calamba, Laguna and high-value condominium units such as East Gallery Place in Bonifacio Global City, Two Roxas Triangle and Garden Towers in Makati and Arbor Lanes in Arca South. Alveo meanwhile posted P10.38 billion in revenues, 14% higher compared to last year, owing to the higher sales and completion of its new and existing projects such as High Park in Vertis North, Verve Residences, Sequoia, in Bonifacio Global City, The Veranda in Arca South, Solstice in Circuit, Kroma and Escala in Makati and Lumira in Nuvali. Avida and Amaia likewise recorded revenue growth of 5% and 50% to P13.14 billion and P3.63 billion, respectively. Avida's performance was anchored on the higher contributions from Avida Towers Vita in Vertis North, Avida Towers BGC 34th Street and Avida Towers Verte in Bonifacio Global City and Avida Towers Riala in Cebu. Amaia's revenues were primarily driven by the strong sales of Amaia Steps Nuvali. BellaVita revenues increased 81% to P115.6 million, mainly due to solid bookings generated by its projects in General Trias and Alaminos.

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

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

Revenues from the sale of Commercial and Industrial Lots decreased by 46% year-on-year in 2014 to P4.72 billion, mainly due to the sale of commercial lots in Arca South in 2013. GP margins of Commercial and Industrial lots however improved to 45% in 2014 from 40% in the previous year due to higher margins on commercial lots sold in Arca South, Altaraza and Nuvali.

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

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

Revenues from Office Leasing operations increased by 21% to P4.23 billion in 2014, from P3.50 billion last year due to the full year contribution of new offices from higher occupancy and average rental rates. Total GLA expanded to 611,816 square meters while total occupied office GLA expanded to 582,595 square meters in 2014. Average BPO lease rates increased 5% year-on-year to P676 per square meter due to rental escalations in existing buildings. EBITDA margins of the total office portfolio improved to 87% from 85%.

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

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

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

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

Expenses

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

Project and Capital Expenditure

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

Financial Condition

The Company's balance sheet continues to be solid, with adequate capacity to support its growth plans for 2015 and beyond. Cash and Cash Equivalents including short term investments and UITF investments stood at P34.59 billion, resulting in a Current Ratio of 1.23:1. Total Borrowings stood at P124.67 billion from Php101.90 billion as of December last year, translating to a Debt-to-Equity Ratio of 1.02:1 and a Net Debt-to-Equity Ratio of 0.74:1. Return on Equity was at 14.4% in 2014.

Key Financial Performance Indicators

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

	<i>End-December 2014</i>	<i>End-December 2013</i>
Current ratio ¹	1.23:1	1.45:1
Debt-to-equity ratio ²	1.02:1	0.91:1
Net debt-to-equity ratio ³	0.74:1	0.55:1
Profitability Ratios:		
Return on assets ⁴	5.0%	4.9%
Return on equity ⁵	14.4%	13.0%
Asset to Equity ratio ⁶	3.19	2.90
Interest Rate Coverage Ratio ⁷	5.7	6.5

1 Current assets / current liabilities

2 Total debt/ consolidated stockholders' equity attributable to equity holders of ALI (Total debt includes short-term debt, long-term debt and current portion of long-term debt)

3 Net debt/ consolidated stockholders' equity attributable to equity holders of ALI (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)

4 Total Net income / average total assets

5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI

6 Total Assets /Total stockholders' equity

7 EBITDA/Interest expense

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

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

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

Income Statement items – 2014 versus 2013

17% increase in real estate and hotel revenues

Primarily due to higher sales bookings and incremental completion of residential projects and improved performance of leasing, hotels and resorts business segments

18% increase in equity in net earnings of investees

Largely attributable to the higher equity contribution from FBDC companies

36% increase in interest and investment income

Due primarily from higher interest income on accretion

36% decrease in other income

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

15% increase in real estate and hotel costs

Largely due to higher costs and expenses

5% increase in general and administrative expenses

Primarily due to higher taxes & licenses, donation, dues & fees, training & seminars, repairs & maintenance and office services related expenses

20% increase in interest expense, financing and other charges

Largely due to the increased borrowings to finance various capital expenditures

32% increase in provision for income tax

Mainly due to higher taxable income for the period

14% increase in net income attributable to non-controlling interests

Primarily due to the increased contribution from BG Companies, Vismin and Nuvali companies

Balance Sheet items – 2014 versus 2013

1702% increase in short-term investments

Mainly due to the increase in short-term investment placements and increased interest rates

53% decrease in financials assets at fair value through profit or loss

Largely due to the matured UITF placements that are not renewed

37% increase in accounts and notes receivable (net)

Primarily due to higher sales of new and existing residential projects

11% increase in real estate inventories

Mainly due to additional land acquisitions, incremental project completion and new launches of residential projects

22% increase in other current assets

Mainly due to proceeds from the sale of projects in escrow deposits

78% increase in non-current accounts and notes receivables

Largely due to increased sales from newly launched and existing residential projects.

133% increase in available-for-sale financial assets

Mainly due to Varejo's SSI AFS investment

28% increase in land and improvements

Primarily due to additional acquisition of land parcels for future development

18% increase in investments in associates and joint ventures

Largely due to the increase in equity in net earnings from FBDC group.

15% increase in investment properties

Mainly due to additional costs on new & existing malls and buildings for lease and land acquisitions

7% increase in property and equipment

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

25% increase in deferred tax assets

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

35% increase in accounts and other payables

Mainly due to higher expenses on the completion of existing and new projects

31% increase in short-term debt

Primarily due to increase in loan availments of ALI Parent, Avida and Alveo and new loan of TKDC

39% decrease in income tax payable

Mainly from lower taxable income in 4Q 2014 and increase in actual amount paid for 3rd quarter ITR filing

43% increase in current portion of long-term debt

Mainly due to increase in loan amount from ALI parent, hotels & resorts and malls group, ADC, Avida, and Phil.Energy

9% increase in deposits and other current liabilities

Mainly due to tenants' deposits and construction bonds which will be applied against the rent and service due.

20% increase in long-term debt - net of current portion

Largely attributable to increase in loan availments of ALI parent and subsidiaries and new loan availments of malls and residential companies

38% increase in pension liabilities

Primarily due to impact of Revised PAS 19 employee benefits.

51% decrease in deferred tax liabilities

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

9% increase in deposits and other noncurrent liabilities

Largely due to higher deposits from residential customers and new tenants for offices and increased retention payable

15% increase in retained earnings

Mainly due to the increase in income for the period

6% decrease in stock options outstanding

Mainly due to issuance and cancellation of ESOP/ESOWN

323% increase in net unrealized gain on available-for-sale financial assets

Primarily due to the increase in available-for-sale financial assets investments

10% increase in non controlling interest

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

25% increase in Parent Equity Reserve

Mainly due to increase additional equity interest in NTGCC, CECI

Risks

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

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

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

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

Shopping Center, Office Space and Land Rental

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

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

Hotel and Resort Operations

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

Construction

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

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

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

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

Review of 2013 operations vs. 2012

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

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

Business Segments

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

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

Revenues from the Residential Segment reached P41.99 billion in 2013, 32% higher than the P31.88 billion reported the previous year, largely due to solid bookings and steady project launches across all brands. Ayala Land Premier (ALP) generated P15.56 billion in revenues or an improvement of 41% year-on-year on the back of higher revenues from premium condominium units in 1016 Residences, Park Terraces, The Suites and Parkpoint Residences and new launches such as Two Roxas Triangle and Garden Tower 2. Alveo meanwhile posted revenues of P9.10 billion, 18% higher than last year owing to sales contributions from Two Maridien and Verve Residences in Bonifacio Global City, Mirala in Nuvali, Escala Salcedo and Solstice Tower in Makati, Celadon Park Tower 3 in Manila and Solinea Tower 2 in Cebu. Avida and Amaia likewise attained revenue growth of 42% and 54% to P12.50 billion and P2.43 billion, respectively. Avida's performance was anchored on strong bookings from the success of new projects such as Avida 34th Street Tower 2 and Avida Cityflex Tower 2 in Bonifacio Global City, Madera Grove Estates in Bulacan, Avida Woodhill Settings in Nuvali, Avida Towers Vita in Quezon City, Avida Centera Towers 3 and 4 in Mandaluyong and Avida Riala Towers 1 and 2 in Cebu, as well as increased sales in existing projects such as Avida Parkway Settings, Avida Ridgeview Estates and Avida Village Cerise in Nuvali, Avida San Lorenzo Tower 2 in Makati and Avida Prime Taft Tower 1 in Pasay. Amaia revenues was boosted by sales from recent launches namely Amaia Steps Sucat, Amaia Skies Avenida, Amaia Steps Bicutan, Amaia Steps Nuvali, Amaia Steps Cavite, Amaia Steps Lucena and Amaia Steps Bauan. BellaVita, coming from a low base on its first year of operations, saw revenues increase by 308% to P63.93 million, mainly due to revenues generated from its General Trias and Alaminos projects.

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

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

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

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

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

Hotels and Resorts currently operates 1,294 internationally branded hotel rooms in Hotel InterContinental Manila, Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holiday Inn & Suites Makati, 192 island resort rooms in Lagen, Miniloc, Apulit and Pangulasian Islands in the

province of Palawan and 515 Seda Hotel rooms between Bonifacio Global City, Centrio Cagayan de Oro and Abreeza Davao. Revenues of the Hotels and Resorts business grew by 64% to P4.02 billion in 2013 from P2.45 billion last year, primarily driven by contributions from new hotels and resorts. Revenue per Available Room (REVPAR) for the stable hotels in the company's portfolio was at P3,592, while REVPAR for resorts was at P5,683 per night. EBITDA margins for Hotels and Resorts increased to 20% driven by the improved performance of new hotels and resorts.

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

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

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

Expenses

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

Project and Capital Expenditure

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

Financial Condition

The Company's balance sheet remains strong with sufficient capacity to carry out its aggressive growth plans in 2014 and beyond. Cash and Cash Equivalents stood at P40.76 billion, resulting in a Current Ratio of 1.45: 1. Total Borrowings stood at P101.90 billion from P74.78 billion as of December last year, translating to a Debt-to-Equity Ratio of 1.04:1 and a Net Debt-to-Equity Ratio of 0.62:1. Return on equity was maintained at 13% in 2013.

Key Financial Performance Indicators

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

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

1 Current assets / current liabilities

2 Total debt/ stockholders' equity attributable to equity holders of ALI (Total debt includes short-term debt, long-term debt and current portion of long-term debt)

3 Net debt/ stockholders' equity attributable to equity holders of ALI t (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)

4 Total Net income / average total assets

5 Net income attributable to equity holders of ALI / average total stockholders' equity attributable to equity holders of ALI

6 Total Assets /Total stockholders' equity

7 EBITDA/Interest expense

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

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

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

Income Statement items – 2013 versus 2012

36% increase in real estate revenues

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

17% decrease in interest and investment income

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

165% increase in other income

Primary due to the sale of Laguna Technopark's waterworks property and higher management fees.

40% increase in real estate costs and expenses

Mainly driven by development costs related to Arca South commercial lots and residential projects.

25% increase in general and administrative expenses

Primarily due to higher compensation and benefits and donation related expenses.

26% increase in interest expense and other financing charges

Mainly due to higher debt levels.

85% increase in other charges

Largely due to provisions for impairment.

34% increase in provision for income tax

Mainly due to higher taxable income for the period.

26% increase in net income attributable to non-controlling interests

Primarily due to higher income from BG companies.

Balance Sheet items – 2013 versus 2012

13% decrease in cash and cash equivalents

Mainly due to reclassification of UITF to financial asset at fair value through profit or loss.

1% decrease in short-term investments

Primarily due to maturity of short-term investments.

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

Mainly due to investments in UITF

26% increase in accounts and notes receivables (net)

Largely due to launch of new projects and higher bookings.

59% increase in real estate inventories

Mainly due to incremental project completion and new launches.

13% increase in other current assets

Mainly due to proceeds from the sale of projects in escrow deposits.

15% increase in non-current accounts and notes receivables

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

28% increase in land and improvements

Mainly due to the acquisition of additional land parcels for future development.

18% increase in investments in associates and joint ventures

Largely due to increased in equity in net earnings from FBDC group.

29% decrease in available-for-sale financial assets

Largely due to the redemption of Ayala Corporation preferred shares.

19% increase in investment properties

Largely due to new projects such as Fairview Terraces, Harbor Point, Holiday Inn Makati, and Seda Hotels.

15% increase in property and equipment

Mainly due to new hotel buildings and improvements and installation of district cooling systems in shopping centers.

71% increase in deferred tax assets

Mainly due to higher deferred tax assets on taxable temporary differences.

151% increase in other noncurrent assets

Mainly due to project costs related to Ayala Land resorts.

42% increase in accounts and other payables

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

27% increase in short-term debt

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

18% increase in income tax payable

Largely due to higher taxable income

46% decrease in current portion of long-term debt

Primarily due to significant loan payments by ALI-parent.

6% decrease in deposits and other current liabilities

Mainly due to customer deposits from various residential projects.

47% increase in long-term debt – net of current portion

Mainly due to new issuance of fixed rate bonds and new loan availments.

96% increase in pension liabilities

Primarily due to impact of Revised PAS 19 employee benefits.

25% increase in deferred tax liabilities

Mainly due to increase in fair value of AMHRI and AMHPI.

18% increase in deposits and other noncurrent liabilities

Primarily due to increase in liability for purchased land.

30% increase in paid up capital

Mainly due to top up placement amounting to P12.2 billion.

7% decrease in stock options outstanding

Primarily due to issuance of ESOP and ESOWN shares.

13% decrease in unrealized gain on available-for-sale financial assets

Primarily due to the presence of unrealized gain in Ayala Corporation's preferred redeemed in 2013.

107% increase in actuarial loss on pension obligation

Primarily due to impact of revised PAS19 related to employee benefits.

15% increase in retained earnings

Mainly due to increase in income.

100% decrease in treasury stock

Largely attributed to retirement of redeemed preferred shares.

Risks

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

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

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

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

Shopping Center, Office Space and Land Rental

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

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

Hotel and Resort Operations

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

Construction

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

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

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

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

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

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

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

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

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

Philippine Stock Exchange Prices (in PHP/share)

	<u>High</u>		<u>Low</u>		<u>Close</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
First Quarter	38.60	29.95	33.50	29.50	38.50	29.90
Second Quarter	41.00	30.70	37.00	30.15	37.30	30.50
Third Quarter	39.00	35.00	33.15	34.45	34.00	34.95
Fourth Quarter	37.60	33.95	33.40	33.50	34.45	33.70

The market capitalization of ALI as of end-2015, based on the closing price of ₱34.45/share, was approximately ₱506.26 billion.

The price information as of the close of the latest practicable trading date February 26, 2016 is ₱32.05 per share.

B) Holders

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

Common Stockholders: There are 9,503 registered holders of common shares of the Company as of January 31, 2016:

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1.	Ayala Corporation*	6,893,880,451	46.91109%
2.	PCD Nominee Corporation (Non-Filipino)	5,787,781,920	39.38437%
3.	PCD Nominee Corporation (Filipino)	1,723,692,368	11.72928%
4.	ESOWN Administrator 2009	17,455,003	0.11878%
5.	ESOWN Administrator 2015	14,311,411	0.09739%
6.	ESOWN Administrator 2010	13,852,130	0.09426%
7.	ESOWN Administrator 2012	12,484,736	0.08496%
8.	ESOWN Administrator 2011	11,309,987	0.07696%
9.	ESOWN Administrator 2013	11,204,916	0.07625%
10.	ESOWN Administrator 2014	10,393,181	0.07072%
11.	Emilio Lolito J. Tumbocon	8,092,986	0.05507%
12.	Jose Luis Gerardo Yulo	6,783,948	0.04616%
13.	ESOWN Administrator 2006	6,212,848	0.04228%
14.	ESOWN Administrator 2008	6,134,606	0.04174%
15.	Estrellita B. Yulo	5,732,823	0.03901%
16.	ESOWN Administrator 2005	4,814,524	0.03276%
17.	Pan Malayan Management and Investment Corporation	4,002,748	0.02724%
18.	Ma. Angela Y. La'o	3,728,620	0.02537%
19.	Lucio W. Yan	3,483,871	0.02371%
20.	Telengtan Brothers and Sons, Inc.	3,480,000	0.02368%

*40,629,064 shares held by Ayala Corporation (or 0.276% of the outstanding common shares) are lodged with PCD Nominee Corporation.

Voting Preferred Stockholders: There are approximately 2,816 registered holders of voting preferred shares of the Company as of January 31, 2016.

	Stockholder Name	No. of Voting Preferred Shares	Percentage (of voting preferred shares)
1.	Ayala Corporation	12,163,180,640	93.08679%
2.	HSBC Manila OBO A/C 000-171512-554	513,222,800	3.92778%
3.	Government Service Insurance System	156,350,871	1.19658%
4.	HSBC Manila OBO A/C 000-171512-571	15,051,000	0.11519%
5.	DB MLA OBO SSBTC Fund HG16	15,000,000	0.11480%
6.	Wealth Securities, Inc.	14,825,373	0.11346%
7.	DB MLA OBO SSBTC Fund SS01	13,670,744	0.10462%
8.	Samuel Villes Santos and/or Luzviminda Lat Santos	12,001,800	0.09185%
9.	DB MLA OBO SSBTC Fund C021	8,497,223	0.06503%
10.	Investors Securities, Inc.	6,251,770	0.04785%
11.	First Metro Securities Brokerage Corp.	5,103,853	0.03906%
12.	Deutsche Bank AG Manila OBO BNYM AC 1214004162	4,943,400	0.03783%
13.	HSBC Manila OBO A/C 000-171512-551	4,484,748	0.03432%
14.	Deutsche Regis Partners, Inc.	3,961,757	0.03032%
15.	DB MLA OBO SSBTC Fund FA20	3,951,800	0.03024%
16.	Papa Securities Corporation	3,536,538	0.02707%
17.	DB MLA OBO SSBTC Fund FA2N	3,534,608	0.02705%
18.	Maybank ATR Kim Eng Securities, Inc.	3,479,514	0.02663%
19.	Ansaldo, Godinez & Co. Inc.	3,388,848	0.02594%
20.	Belson Securities, Inc.	2,800,874	0.02144%

C) Dividends

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

CASH DIVIDEND (Per Common Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.14787806	Feb. 19, 2013	March 5, 2013	March 19, 2013
0.14348287	Aug. 22, 2013	Sept. 6, 2013	Sept. 20, 2013
0.20711082	Feb. 21, 2014	March 7, 2014	March 21, 2014
0.20687187	Aug. 28, 2014	Sept. 11, 2014	Sept. 26, 2014
0.2075	Feb. 20, 2015	March 6, 2015	March 20, 2015
0.2075	Aug. 17, 2015	Sept. 2, 2015	Sept. 16, 2015

CASH DIVIDEND (Per Voting Preferred Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.00474786	Feb. 19, 2013	June 14, 2013	July 1, 2013
0.00474786	Feb. 21, 2014	June 16, 2014	June 30, 2014
0.00474786	February 20, 2015	June 15, 2015	June 29, 2015

Dividend policy

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

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

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

D) Recent Sale of Securities

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

<u>Year</u>	<u>No. of Shares</u>	
	<u>ESOP*</u> (exercised)	<u>ESOWN</u> (subscribed)
2013	3.2 Million	18.8 Million
2014	5.6 Million	12.3 Million
2015	-	17.8 Million

**not offered starting 2015*

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

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

On January 12, 2015, Ayala Corporation executed the placement of, and subscription to the Company's 484,848,500 common shares at ₱33.00 per share or an aggregate of ₱16 billion. The placement price of ₱33.00 per share was at a 3.9% discount on the 5-day volume-weighted average price of the Company's stock and was the agreed clearing price among the purchasers of the shares and the placement agent, UBS AG.

The Company filed Notices of Exemption with the SEC for the issuance of the 399,528,229 and 484,848,500 common shares under the following provisions of the SRC:

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

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

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

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

E) Corporate Governance

- i. The evaluation system which was established to measure or determine the level of compliance of the Board and top level management with its Revised Manual of Corporate Governance consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the Annual Corporate Governance Report to the Securities and Exchange Commission.
- ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.
- iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.
- iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

ANNEX “C”

NATURE AND SCOPE OF BUSINESS

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

Property Development

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

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

Commercial Leasing

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

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

Hotels and Resorts

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

Resorts - development, operation and management of eco-resorts

Services

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

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of Ayala Land, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, 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 and its subsidiaries 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

FEB 26 2016


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

Name	Passport No.	Date & Place of Issue
Fernando Zobel de Ayala	EC6148225	Dec 8, 2015 – Manila
Bernard Vincent O. Dy	EB4700081	Feb 14, 2012 – Manila
Jaime E. Ysmael	EB6092044	Aug 6, 2012 – Manila

Doc. No. 432 ;
Page No. 88 ;
Book No. W ;
Series of 2016.

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




CHARLENE MAE C. TAPIC-CASTRO
Notary Public - Makati City
Appt. No. 397 until December 31, 2016
Attorney's Roll No. 58720
PTR No. 5328830MD; 01-06-2016; Makati City
IBP Lifetime Roll No. 010104
MCLE Compliance No. V-0004684; 11-28-2014
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, 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, 2015, 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-3 (Group A),

February 14, 2013, valid until April 30, 2016

Tax Identification No. 102-082-365

BIR Accreditation No. 08-001998-10-2015,

March 24, 2015, valid until March 23, 2018

PTR No. 0017580, January 4, 2016, Makati City

February 26, 2016



AYALA LAND, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 29)	₱19,087,390	₱28,677,282
Short-term investments (Notes 5 and 29)	164,621	301,405
Financial assets at fair value through profit or loss (Notes 6 and 29)	731,677	6,264,569
Accounts and notes receivable (Notes 7 and 29)	64,960,745	58,573,665
Inventories (Note 8)	59,246,962	48,179,191
Other current assets (Note 9)	22,012,200	23,638,333
Total Current Assets	166,203,595	165,634,445
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7 and 29)	41,256,656	31,374,498
Available-for-sale financial assets (Notes 10 and 29)	500,359	784,371
Land and improvements (Note 11)	93,302,506	80,444,542
Investments in associates and joint ventures (Note 12)	17,521,517	10,963,182
Investment properties (Note 13)	80,464,775	67,897,942
Property and equipment (Note 14)	24,246,455	18,824,912
Deferred tax assets - net (Note 23)	7,911,634	6,457,372
Other noncurrent assets (Notes 15 and 26)	10,934,303	6,563,199
Total Noncurrent Assets	276,138,205	223,310,018
	₱442,341,800	₱388,944,463
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 16 and 29)	₱121,757,202	₱106,992,321
Short-term debt (Notes 17 and 29)	10,486,258	16,302,312
Income tax payable	1,283,535	647,234
Current portion of long-term debt (Notes 17 and 29)	8,807,652	5,066,903
Deposits and other current liabilities (Note 18)	3,798,208	5,591,948
Total Current Liabilities	146,132,855	134,600,718
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17 and 29)	111,702,201	103,296,454
Pension liabilities (Note 26)	1,502,247	1,580,228
Deferred tax liabilities - net (Note 23)	1,782,061	1,967,129
Deposits and other noncurrent liabilities (Notes 19 and 29)	31,397,025	25,504,476
Total Noncurrent Liabilities	146,383,534	132,348,287
Total Liabilities	292,516,389	266,949,005

(Forward)



	December 31	
	2015	2014
Equity (Note 20)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-in capital	₱61,072,448	₱44,851,468
Retained earnings	77,951,761	66,478,250
Stock options outstanding (Note 28)	190,747	185,604
Remeasurement loss on defined benefit plans (Note 26)	(432,487)	(572,392)
Net unrealized gain (loss) on available-for-sale financial assets (Note 10)	(80,800)	135,815
Equity reserves (Notes 2 and 20)	(4,970,965)	(4,138,909)
	133,730,704	106,939,836
Non-controlling interests	16,094,707	15,055,622
Total Equity	149,825,411	121,995,458
	₱442,341,800	₱388,944,463

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		
	2015	2014	2013
REVENUE			
Real estate (Notes 21 and 25)	₱100,660,792	₱89,027,534	₱76,337,434
Interest and investment income (Notes 6, 7, 24 and 25)	5,980,031	4,816,980	3,538,357
Equity in net earnings (losses) of associates and joint ventures (Note 12)	(140,488)	646,537	549,741
Other income (Note 22)	682,605	705,995	1,097,538
	107,182,940	95,197,046	81,523,070
COSTS AND EXPENSES			
Real estate (Note 22)	65,335,060	59,395,613	51,839,186
General and administrative expenses (Notes 22, 26 and 28)	6,591,955	6,203,133	5,929,336
Interest and other financing charges (Note 22)	6,506,261	5,365,716	4,115,555
Other charges (Note 22)	998,860	375,797	678,930
	79,432,136	71,340,259	62,563,007
INCOME BEFORE INCOME TAX	27,750,804	23,856,787	18,960,063
PROVISION FOR INCOME TAX (Note 23)			
Current	8,561,600	7,010,602	6,654,709
Deferred	(1,707,683)	(868,273)	(1,999,339)
	6,853,917	6,142,329	4,655,370
NET INCOME	₱20,896,887	₱17,714,458	₱14,304,693
Net income attributable to:			
Equity holders of Ayala Land, Inc. (Note 27)	₱17,630,275	₱14,802,642	₱11,741,764
Non-controlling interests	3,266,612	2,911,816	2,562,929
	₱20,896,887	₱17,714,458	₱14,304,693
Earnings Per Share (Note 27)			
Net income attributable to equity holders of Ayala Land, Inc.			
Basic	₱1.20	₱1.05	₱0.84
Diluted	1.20	1.05	0.83

See accompanying Notes to Consolidated Financial Statements.



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

(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
Net income	₱20,896,887	₱17,714,458	₱14,304,693
Other comprehensive income (loss)			
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:</i>			
Net unrealized gain (loss) on available-for-sale financial assets (Note 10)	(164,648)	118,111	(7,141)
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent years:</i>			
Actuarial loss on pension liabilities (Note 26)	199,864	(70,123)	(390,646)
Tax effect relating to components of other comprehensive loss	(59,959)	21,037	117,194
Total other comprehensive income (loss) – net of tax	(24,743)	69,025	(280,593)
Total comprehensive income	₱20,872,144	₱17,783,483	₱14,024,100
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	₱17,601,457	₱14,869,751	₱11,466,162
Non-controlling interests	3,270,687	2,913,732	2,557,938
	₱20,872,144	₱17,783,483	₱14,024,100

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		
	2015	2014	2013
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.			
Common Shares - ₱1.00 par value (Note 20)			
Issued:			
Balance at beginning of year	₱14,088,208	₱14,063,902	₱13,729,402
Issuance of shares	497,860	24,306	334,500
Balance at end of year	14,586,068	14,088,208	14,063,902
Subscribed:			
Balance at beginning of year	102,281	109,385	102,159
Additions	505,142	17,202	341,726
Issuance of shares	(497,860)	(24,306)	(334,500)
Balance at end of year	109,563	102,281	109,385
Preferred Shares - ₱0.10 par value (Note 20)			
Balance at beginning of year	1,306,649	1,306,649	2,610,109
Retirement of shares	—	—	(1,303,460)
Balance at end of year	1,306,649	1,306,649	1,306,649
Additional Paid-in Capital			
Balance at beginning of year	30,200,324	29,712,336	18,216,407
Additions (Notes 20 and 28)	16,017,372	487,988	11,495,929
Balance at end of year	46,217,696	30,200,324	29,712,336
Subscriptions Receivable			
Balance at beginning of year	(845,994)	(737,229)	(539,477)
Additions	(363,968)	(176,671)	(378,950)
Collections	62,434	67,906	181,198
Balance at end of year	(1,147,528)	(845,994)	(737,229)
Total Paid-in Capital	61,072,448	44,851,468	44,455,043
Retained Earnings (Note 20)			
Appropriated for future expansion	6,000,000	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	60,478,250	51,608,700	43,996,249
Cash dividends			
Common share - ₱0.42 per share in 2015, ₱0.41 per share in 2014 and ₱0.29 per share in 2013	(6,094,726)	(5,871,054)	(4,067,275)
Preferred share - ₱0.005 per share or 4.64%	(62,038)	(62,038)	(62,038)
Net income	17,630,275	14,802,642	11,741,764
Balance at end of year	71,951,761	60,478,250	51,608,700
	77,951,761	66,478,250	57,608,700
Stock Options Outstanding (Note 28)			
Balance at beginning of year	185,604	198,274	213,758
Cost of stock options	17,262	11,844	19,688
Stock options exercised	(12,119)	(24,514)	(35,172)
Balance at end of year	190,747	185,604	198,274

(Forward)



	Years Ended December 31		
	2015	2014	2013
Remeasurement Loss on Defined Benefit Plans			
Balance at beginning of year	(P572,392)	(P524,678)	(P253,723)
Net changes during the year	139,905	(47,714)	(270,955)
Balance at end of year	(432,487)	(572,392)	(524,678)
Net Unrealized Gain (Loss) on Available-for-Sale			
Financial Assets (Note 10)			
Balance at beginning of year	135,815	32,105	36,752
Net changes during the year	(216,615)	103,710	(4,647)
Balance at end of year	(80,800)	135,815	32,105
Equity Reserves (Notes 2 and 20)			
Balance at beginning of year	(4,138,909)	(3,299,669)	8,960
Movement during the year	(832,056)	(839,240)	(3,308,629)
Balance at end of year	(4,970,965)	(4,138,909)	(3,299,669)
Treasury Shares (Note 20)			
Balance at beginning of year	—	—	(2,127,427)
Reissuance	—	—	823,967
Retirement	—	—	1,303,460
Redemption	—	—	—
Balance at end of year	—	—	—
NON-CONTROLLING INTERESTS			
Balance at beginning of year	15,055,622	13,627,791	13,547,045
Net income	3,266,612	2,911,816	2,562,929
Net increase in non-controlling interests	1,201,856	525,736	843,646
Dividends paid to non-controlling interests	(2,775,786)	(1,342,623)	(1,109,467)
Acquisition of non-controlling interests	(654,384)	(650,367)	(2,211,371)
Net gain (loss) on available-for-sale financial assets	787	(15,359)	(2,494)
Actuarial loss on pension liabilities	—	(1,372)	(2,497)
Balance at end of year	16,094,707	15,055,622	13,627,791
	P149,825,411	P121,995,458	P112,097,566
Total Comprehensive Income			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	P17,630,275	P14,802,642	P11,741,764
Non-controlling interests	3,266,612	2,911,816	2,562,929
	20,896,887	17,714,458	14,304,693
Net gain (loss) on available-for-sale financial assets attributable to (Note 10):			
Equity holders of Ayala Land, Inc.	(168,723)	114,823	(4,647)
Non-controlling interests	4,075	3,288	(2,494)
	(164,648)	118,111	(7,141)
Actuarial gain (loss) on pension liabilities attributable to:			
Equity holders of Ayala Land, Inc.	139,905	(47,714)	(270,955)
Non-controlling interests	—	(1,372)	(2,497)
	139,905	(49,086)	(273,452)
	P20,872,144	P17,783,483	P14,024,100

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱27,750,804	₱23,856,787	₱18,960,063
Adjustments for:			
Depreciation and amortization (Notes 13, 14, 15 and 22)	5,069,595	4,990,465	3,898,401
Interest and other financing charges (Note 22)	6,506,261	5,365,716	4,115,555
Dividends received from investees (Note 12)	286,739	1,019,885	236,431
Cost of share-based payments (Note 28)	213,587	196,088	232,659
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 22)	(11,996)	(96,702)	657
Realized gain on financial assets at fair value through profit or loss (Note 22)	(78,364)	(164,977)	(2,104)
Gain on sale of property and equipment	(34,338)	(1,097)	(589,102)
Equity in net earnings of associates and joint ventures (Note 12)	140,488	(646,537)	(549,741)
Interest income	(5,979,695)	(4,777,787)	(3,528,766)
Provision for impairment losses (Note 22)	494,878	139,627	448,807
Operating income before changes in working capital	34,357,959	29,881,468	23,222,860
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable - trade	(14,949,793)	(17,165,303)	(7,162,382)
Inventories	(3,285,156)	6,718,045	(1,504,321)
Other current assets (Note 9)	1,743,404	(4,290,975)	(2,451,910)
Increase (decrease) in:			
Accounts and other payables	12,074,006	27,139,642	22,166,391
Deposits and other current liabilities (Note 18)	(1,821,438)	452,795	(328,162)
Pension liabilities (Note 26)	57,378	383,657	308,364
Net cash generated from operations	28,176,360	43,119,329	34,250,840
Interest received	6,475,543	4,563,198	3,284,026
Income tax paid	(7,846,135)	(7,187,490)	(6,366,620)
Interest paid	(6,624,035)	(5,330,270)	(3,929,597)
Net cash provided by operating activities	20,181,733	35,164,767	27,238,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of short term investments	929,311	–	106,977
Sale/redemption of financial assets at fair value through profit or loss	28,117,351	41,234,788	–
Sale of available-for-sale financial assets (Note 10)	226,632	30,000	129,513
Disposal of property and equipment (Note 14)	92,745	213,744	690,899
Disposal of investment properties (Note 13)	483,257	793,047	131,781

(Forward)



	Years Ended December 31		
	2015	2014	2013
Additions to:			
Short-term investments	(P792,191)	(P284,677)	(P12,795,536)
Financial assets at fair value through profit or loss	(22,494,099)	(33,878,342)	-
Available-for-sale financial assets (Note 10)	(67,957)	(330,240)	-
Land and improvements (Note 11)	(21,061,610)	(28,358,401)	(30,056,560)
Investments in associates and joint ventures (Note 12)	(6,985,562)	(2,017,757)	(1,126,982)
Investment properties (Note 13)	(14,354,449)	(13,271,609)	(10,797,538)
Property and equipment (Note 14)	(6,839,235)	(3,251,225)	(5,117,877)
Accounts and notes receivable - nontrade (Note 7)	(1,733,723)	(12,210,428)	(3,068,467)
Net increase in other noncurrent assets	(3,926,779)	(174,133)	(2,528,361)
Acquisition of subsidiary, net of cash acquired	(481,241)	-	-
Net cash used in investing activities	(48,887,550)	(51,505,233)	(64,432,151)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 17)	54,210,245	33,075,483	58,740,478
Payments of short and long-term debt (Note 17)	(47,879,804)	(10,311,699)	(31,616,655)
Increase in deposits and other noncurrent liabilities	5,707,932	2,158,242	3,479,954
Capital infusion by non-controlling interests in consolidated subsidiaries	1,350,824	820,343	1,005,254
Redemption of non-controlling interests in consolidated subsidiaries	(147,395)	(388,439)	(182,359)
Acquisition of non-controlling interest (Note 20)	(1,486,440)	(1,411,130)	(5,520,000)
Proceeds from capital stock subscriptions	16,012,536	187,666	9,790,114
Proceeds from reissuance of treasury shares	-	-	2,425,613
Dividends paid to non-controlling interests	(2,775,786)	(1,342,623)	(1,109,467)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	(5,876,187)	(5,736,233)	(3,975,377)
Net cash provided by financing activities	19,115,925	17,051,610	33,037,555
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,589,892)	711,144	(4,155,947)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,677,282	27,966,138	32,122,085
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P19,087,390	P28,677,282	P27,966,138

See accompanying Notes to Consolidated Financial Statements.



AYALA LAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Ayala Land, Inc. (the Company) is domiciled and was incorporated on June 30, 1988 in the Republic of the Philippines. The Company's parent is Ayala Corporation (AC). AC is a publicly-listed company, 49.01%-owned by Mermac, Inc., 10.18%-owned by Mitsubishi Corporation (MC) and the rest by the public. The Company's registered office and principal place of business is 31st Floor, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Company and its Subsidiaries (the Group) are incorporated to hold, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, residential including, but not limited to, all kinds of housing projects, commercial, industrial, urban or other kinds of real property; to acquire, purchase, hold, manage, develop and sell subdivision lots, with or without buildings or improvements; to erect, construct, alter, manage, operate, lease, in whole or in part, buildings and tenements of the Group or of other persons; and to engage or act as real estate broker. The Group is also involved in hotels and resorts operations.

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2015 and 2014, and for each of the three years in the period ended December 31, 2015 were endorsed for approval by the Audit Committee on February 19, 2016 and were approved and authorized for issue by the Board of Directors (BOD) on February 26, 2016.

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, 2015 and 2014 and for each of the three years in the period ended December 31, 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect that return through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements



- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not wholly owned and are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statements of financial position, separately from the Company's equity.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The consolidated financial statements represent the consolidation of the financial statements of the Company and the following domestic and foreign subsidiaries:

	December 31	
	2015*	2014*
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
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



	December 31	
	2015*	2014*
Ayala Land International Marketing, Inc. (AIMI)	100%	100%
Ayala Land International (Singapore) Pte. Ltd	100	100
Ayala Land International Marketing (Hong Kong) Ltd	100	100
Ayala Land International Marketing, SRL	100	100
Ayala Land International Marketing, London	100	100
Ayala Land Sales, Inc.	100	100
Southportal Properties, Inc. (Southportal)	65	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
North Ventures Commercial Corp. (formerly Fairview Prime Commercial Corp.)	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 OpenAsia Holdings PTE, Ltd.	100	100
Blue Horizons Holdings PTE, Limited.	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
ALO Prime Realty Corporation	100	—
Laguna Technopark, Inc. (LTI)	75	75
Ecozone Power Management, Inc.	75	75
Aurora Properties Incorporated	80	78
Soltea Commercial Corp.	16	16
Vesta Property Holdings, Inc.	70	70
Station Square East Commercial Corporation (SSECC)	69	69
Next Urban Alliance Development Corp.	100	—
Accendo Commercial Corp. (Accendo)	67	67
Avencosouth Corp.	20	20
Aviana Development Corporation	7	7
Aviana Development Corporation	50	50



	December 31	
	2015*	2014*
Cagayan de Oro Gateway Corp. (CDOGC)	70%	70%
Ceci Realty, Inc. (Ceci)	60	60
Soltea Commercial Corp.	12	12
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)	60	72
Southgateway Development Corp. (SDC)	100	100
Ayalaland MetroNorth, Inc. (AMNI)	100	100
Verde Golf Development Corporation	100	100
North Triangle Depot Commercial Corporation (NTDCC)	73	64
BGWest Properties, Inc. (BGW)	50	50
Lagdigan Land Corp. (Lagdigan)	60	60
Central Block Developers, Inc. (CBDI)	35	—
Cebu Holdings, Inc. (CHI)	56	50
Cebu Property Ventures Development Corp (CPVDC) and Subsidiary	43	38
Cebu Leisure Company, Inc.	56	50
CBP Theatre Management, Inc.	56	50
Taft Punta Engaño Property, Inc. (TPEPI)	31	28
Cebu Insular Hotel Company, Inc. (CIHCI)	21	19
Solinea, Inc.	20	18
Amaia Southern Properties, Inc. (ASPI)	20	18
Southportal Properties, Inc. (Southportal)	20	18
Central Block Developers, Inc. (CBDI)**	32	—
Cebu Property Ventures Development Corp (CPVDC) and Subsidiary	8	8
Alabang Commercial Corporation (ACC)	50	50
South Innovative Theater Management (SITMI)	50	50
ALI Commercial Center, Inc.	100	100
Ayala Land Malls, Inc. (formerly Solerte, Inc.)	100	100
Ayalaland Malls Vismin, Inc.	100	—
Ayalaland Malls NorthEast, Inc.	100	—
Construction:		
Makati Development Corporation (MDC)	100	100
MDC Subic, Inc.	100	100
MDC Build Plus, Inc.	100	100
MDC Concrete, 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
Regent Horizons Conservation Company, Inc. and Subsidiary (formerly 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	
	2015*	2014*
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	100
Econorth Resorts Ventures, Inc.	100	100
ALI Triangle Hotel Ventures, Inc.	100	100
Circuit Makati Hotel Ventures, Inc.	100	100
Capitol Centre Hotel Ventures, Inc.	100	100
Arca South Hotel Ventures, Inc.	100	100
Sicogon Town Hotel, 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
Lio Resort Ventures, Inc.	60	—
North Liberty Resort Ventures, Inc.	60	—
Paragua Eco-Resort Ventures, Inc.	60	—
Ten Knots Development Corp. (TKDC) (Note 24)	60	60
Chirica Resorts Corp.	60	60
Kingfisher Capital Resources Corp.	60	60
Pangulasian Island Resort Corporation	60	—
Property Management:		
Ayala Property Management Corporation (APMC)	100	100
Prime Support Services, Inc.	100	—
Ayala Theatres Management, Inc. and Subsidiaries	100	100
DirectPower Services, Inc. (DirectPower)	100	100
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	100	100
Entertainment:		
Five Star Cinema, Inc.	100	100
Leisure and Allied Industries Philippines, Inc. (LAIP)	50	50
Others:		
ALLnet.com, Inc. (ALLnet)	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
Sicogon Island Tourism Estate, Corp.	100	—
Integrated Eco-resort Inc.	100	—
Island Transvoyager, Inc.	100	—
Arca South Integrated Terminal, Inc.	100	—
Whiteknight Holdings, Inc. (WHI)	100	100
Ayalaland Medical Facilities Leasing Inc.	100	—

*represents the Group's percentages of effective ownership

**includes CPVDC interest in CBDI



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 (see Note 3).

The following were the changes in the group structure during 2015:

On December 1, 2015, ALI Capital Corp. (formerly Varejo Corp.), a wholly owned subsidiary of Ayala Land, Inc., acquired 100% interest in Island Transvoyager, Inc. (ITI) following the purchase of all outstanding shares from existing shareholders, in the amount of ₱15.0 million (see Note 24). ITI was incorporated on October 2, 2002 with the primary purpose of carrying on the general business of a common carrier and/or private carrier. It was granted the Air Carrier Operating Certificate by the Air Transportation Office to enable it to operate as a scheduled domestic air transportation service provider. ITI is the only airline commercially flying from Manila to Lio in El Nido, Palawan. On November 26, 2015, ITI launched "AirSwift" as its new brand and introduced its new Cebu-El Nido-Cebu route. As of December 31, 2015, it currently operates a fleet of two (2) ATR 42-500 that can seat a maximum of 50 passengers each, and operates 3x-4x daily flights to El Nido. It is also expected to be a key player in the industry as it flies to more tourism destinations not serviced by the bigger commercial airlines (see Note 24).

On August 19, 2015, the Company purchased additional 20 million common shares of CHI through BPI Securities amounting to ₱110.27 million. This brought the Company's ownership from 49.80% to 50.84% of total outstanding capital stock of CHI.

Subsequently, on November 6 and 13, 2015, the Company bought 41,024,400 and 32,772,600, respectively, additional common shares of CHI amounting to ₱209.79 million and ₱167.14 million, respectively, which increased the Company's ownership from 50.84% to 53.08% of total outstanding capital stock of CHI.

Then, on December 7, 2015, the Company bought additional CHI shares consisting of 32,071,000 common shares amounting to ₱163.56 million which brought the Company's stake to 56.36% of total outstanding capital stock of CHI.

Arca South Integrated Terminal, Inc. is a wholly owned subsidiary of ALI which was incorporated on November 27, 2015. It is organized to finance, design, construct and manage the South Transport System Terminal Project located in Bicutan (formerly FTI). It is a project to be rolled out by the Department of Transportation and Communications which involves the development of mass transportation intermodal terminal at the southern outskirts of Metropolitan Manila to provide effective interconnection between transport modes and services.

Paragua Eco-Resort Ventures, Inc. is a wholly owned subsidiary of TKPI. The Company was incorporated on October 27, 2015 and was primarily organized to own, use, improve, develop, subdivide, sell, lease & hold for investment or otherwise real estate of all kinds.

North Liberty Resort Ventures, Inc. is a wholly owned subsidiary of TKPI. The Company was incorporated on October 27, 2015 and was primarily organized to own, use, improve, develop, subdivide, sell, lease & hold for investment or otherwise real estate of all kinds.

Lio Resort Ventures, Inc. is a wholly owned subsidiary of TKPI. The Company was incorporated on October 27, 2015 and was primarily organized to own, use, improve, develop, subdivide, sell, lease & hold for investment or otherwise real estate of all kinds.

Ayalaland Malls NorthEast, Inc. was registered on October 15, 2015. The Company is a wholly owned subsidiary of ALMI with primary purpose of conducting general contracting services and other support service, including performance of technical support services to North East Manila malls.



Ayalaland Malls VisMin, Inc. was registered on October 15, 2015. The Company is a wholly owned subsidiary of ALMI with primary purpose of conducting general contracting services and other support service, including performance of technical support services to VisMin malls.

Prime Support Services, Inc. is a wholly owned subsidiary of APMC and was incorporated on October 14, 2015. It is a company that provides technical and administrative services but not limited to the maintenance and the improvement of the physical aspects of the administered properties.

Pangulasian Island Resort Corporation is a wholly owned subsidiary of TKPI. The Company was incorporated on September 18, 2015 and was primarily organized to plan, develop, construct, own and operate sports, vacation, recreation and resort facilities and other related business activities.

Central Block Developers, Inc (CBDI) is a subsidiary of the Company with pro-rata ownership of the Group's Cebu Companies, CPVDC and CHI. The project of CBDI is called Central Bloc and is located at the core of Cebu IT Park. The development includes two BPO towers, an Ayala branded hotel, and a 5-storey mall. On July 28, 2015, CBDI was registered in Securities and Exchange Commission (SEC) and has not yet started commercial operations. CBDI was organized to develop, sell, invest, own, acquire, lease, hold, mortgage, administer, or otherwise deal with commercial, residential, industrial, or agricultural lands, buildings, structures or apertures, or in any other profitable business enterprise, venture or establishment, including to own, hold in ownership, manage deal and engage in the general business of a hotel, apartment hotel, inn, resort, restaurant, café, bar, entertainment and other allied businesses and to the limit and extent permitted by law, alone or jointly with other persons, natural or artificial.

Sicogon Town Hotel, Inc., a wholly owned subsidiary of AHRC, was registered on September 29, 2015 with primary purpose of engaging in the general business in hotel in Sicogon Island, Iloilo.

In July 2015, the Company acquired 258,155 shares of API from Coromandel Inc. amounting to ₱58.2 million. The transaction brought the Company's ownership from 77.78% to 79.72% of the total outstanding capital stock of API (Note 20).

Integrated Eco-Resort, Inc. was incorporated with SEC on May 27, 2015. It is a wholly-owned subsidiary of ALI Capital Corp. and was incorporated to engage in land and real estate business development particularly the Caliraya Lake project.

Next Urban Alliance Development Corp. is a wholly owned subsidiary of ALI and was incorporated on May 4, 2015. Its purpose is to develop, invest, own or acquire commercial, residential or agricultural lands.

Ayalaland Medical Facilities Leasing, Inc. is a wholly owned subsidiary of Ayala Land, Inc. It was incorporated with SEC on April 13, 2015 to engage primarily in developing and lease of Built-to-suit structure for ALI's hospital operations and retail.

In April 2015, the Company made proportionate acquisition of Soltea shares amounting to ₱544.5 million which consists of 54,449,999 common shares and 490,050,000 preferred shares. Similarly, an infusion amounting to ₱181.35 million was made by Ceci to Soltea consisting of 18,135,000 common shares and 163,215,000 preferred shares. Moreover, additional shares of Soltea comprising of 18,165,000 common shares and 163,485,000 preferred shares was bought by API for a total value of ₱181.6 million.

On March 11, 2015, the Company acquired from Aegis Philippines, Inc. a 3,621 sqm land located along Inez Villa Street, Cebu IT Park, Brgy. Apas, Cebu City, where building owned by APRC is situated, for ₱152.08 million. On April 8, 2015, the Company purchased all of the 8,200,000 common shares of Equinox Technoparks Ltd, Inc. in Aegis PeopleSupport Realty Corporation for a total consideration of ₱513.68 million (see Note 24). On April 14, 2015, the BOD of Aegis



PeopleSupport Realty Corporation approved the change of its corporate name to ALO Prime Realty Corporation (APRC). APRC which is a PEZA-registered entity, owns the Aegis building along Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 square meters and is largely occupied by Teleperformance under a long-term lease.

On February 6, 2015, the Company purchased the remaining interest of Anglo Philippine Holdings Corporation (Anglo) in North Triangle Depot Commercial Corporation (NTDCC) consisting of 382,072 common shares and 1,605,169 preferred shares amounting to ₱523.0 million. The transaction brought the Company's ownership from 63.82% to 70.36% of the total outstanding capital stock of NTDCC which owns and operates the Trinoma commercial centre in North Triangle, Quezon City.

Subsequently, the group purchased the combined remaining interest of Allante Realty and Development Corporation (Allante) and DBH, Inc. (DBH) in NTDCC consisting of 167,548 common shares and 703,904 preferred shares amounting to ₱229.0 million which brought the Company's ownership in NTDCC from 70.36% to 73.24% of the total outstanding capital stock of NTDCC. This acquisition is aligned with the Company's thrust of expanding its leasing business.

Sicogon Island Tourism Estate Corp. is a wholly owned subsidiary of ALI Capital Corp. and which was incorporated with SEC on July 8, 2015. The company was organized to engage in land and real estate business development in Sicogon Island, Iloilo.

On January 23, 2015, the Company purchased additional shares in Adauge consisting of 15,000,000 common shares and 135,000,000 preferred shares for a total value of ₱150 million which brought the Group's ownership to 77.6%. Subsequently, in 2015, Adauge issued 226,336,443 shares comprised of 22,633,644 common shares and 203,702,799 preferred shares to Kapideco Holdings, Inc., Socoped Development Corporation and Dasa Realty Corporation for a total value of ₱226.3 million. This resulted to the Group's 60% ownership in the total outstanding capital stock of Adauge.

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

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

On December 10, 2014, the Group purchased its proportionate share in Anglo Philippine Holdings Corporation's 15.79% interest in NTDCC for ₱738.3 million which consists of 539,249 common shares and 2,265,507 preferred shares. Subsequently, on December 22, 2014, the Group purchased the shares of Allante Realty and Development Corporation and DBH Incorporated in NTDCC for ₱211.2 million each comprises of 154,287 common shares and 648,196 preferred shares for each company. This increased the Group's ownership in NTDCC from 49.29% to 63.82% of the total outstanding capital stock of NTDCC (see Note 24).

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

On July 31, 2014, the Company acquired equity interest in Ceci composed of 460,483 Class B common shares for ₱13.96 million which increased the Company's ownership from 60% to 60.40% (see Note 20).

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



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

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

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

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

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

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

On August 18, 2014, Antoman Realty Corporation invested an additional interest in Adauge consisting of 10,419,813 common shares and 93,778,320 preferred shares amounting to ₱104.2 million which decreased Ayala Land Inc.'s ownership from 86.67% to 72.15% of the total capital stock of Adauge.

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

On July 31, 2014, the Board of Directors and stockholders of Fairview Prime Commercial Corp. approved the amendment of the Company's Articles of Incorporation to change its name to North Ventures Commercial Corp. The Amendment was subsequently approved by the SEC on December 3, 2014.

On May 29, 2014, the Board of Directors of Asian Conservation Company, Inc. approved the change of Company's name to Regent Horizons Conservation Company, Inc. The change was approved by the SEC on September 12, 2014.

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.



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, 2015.

The nature and impact of each new standard and amendment are described below:

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 July 1, 2014.

This amendment is not 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)

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. Unless otherwise stated, these amendments have no impact on the Group's consolidated financial statements. 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).

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. The adoption of this amendment did not have any impact in the Group's consolidated financial statements as the Group's property, plant and equipment and intangible assets are not carried at revalued amounts.

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)

These improvements are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. Unless otherwise stated, these amendments have no impact on the Group's consolidated financial statements. They include:

PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

PFRS 13, *Fair Value Measurement – Portfolio Exception*

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, if early adopted).

PAS 40, *Investment Property*

The description of ancillary services in PAS 40 differentiates between the investment property and owner-occupied property (i.e., property, plant and equipment). 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).

Standards and interpretations issued but not yet effective

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

Effective 2016

PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments)*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an



investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint venture.

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. 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 11, Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)

The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

PAS 1, Presentation of Financial Statements – Disclosure Initiative (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

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 income 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.

PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*

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 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.

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 for continuing involvement 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

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments. The new standard (renamed as 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9. The Group is currently assessing the impact of adopting this standard.

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 Securities and Exchange Commission and the Financial Reporting Standards Council 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 Group is currently assessing the impact of adopting this standard.

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. The FRSC decided to postpone the original effective date of January 1, 2016 until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.



The following new standard issued by the IASB has not yet been adopted by the FRSC:

International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 by the International Accounting Standards Board (IASB) 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 January 1, 2018. Early adoption is 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.

IFRS 16, *Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, Revenue from Contracts with Customers. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by corporate finance after discussion with and approval by the Company's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

At each reporting date, corporate finance analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies.

The Group, in conjunction with the external valuers, also compares each of the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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



“Day 1” difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income under “Interest and investment income” and “Interest and other financing charges” accounts unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the ‘Day 1’ difference amount.

Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading, net of interest income accrued on these assets, are recognized in the consolidated statement of income under “Other income” or “Other charges”.

Financial assets may be designated at initial recognition as FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

As of December 31, 2015 and 2014, the Group holds its investment in Unit Investment Trust Fund (UITF) BPI Short-term and Money Market funds 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 such portfolios are 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, 2015 and 2014, 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" and "Advances to other companies".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in the "Interest and investment income" in the consolidated statements of income. The losses arising from impairment of such loans and receivables are recognized in the consolidated statement of income under the "Other charges" account.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date, otherwise these are classified as noncurrent assets.

AFS financial assets

AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, HTM, or loans and receivables.

Financial assets may be designated at initial recognition as AFS if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported as "Net unrealized gain on available-for-sale financial assets" in the equity section of the consolidated statement of financial position.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income under "Other income" account or "Other charges" account. Where the Group holds more than one investment in the same security, these are deemed to be disposed on a weighted average basis. The losses arising from impairment of such investments are recognized in the consolidated statement of income under the "Other charges" account.

When the fair value of the AFS financial assets cannot be measured reliably because of lack of reliable estimation of future cash flows and discount rates necessary to calculate the fair value of computed equity instruments, these investments are carried at cost less allowance for impairment losses. AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

Other financial liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any



effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group's "Accounts and other payables" (other than "Taxes payable" which is covered by other accounting standard), "Short-term and long-term debts," and other obligations that meet the above definition.

Deposits and Retentions Payable

Deposits and retentions payable are measured initially at fair value. After initial recognition, deposits and retentions payable are subsequently measured at amortized cost using the effective interest method.

For deposits, the difference between the cash received and its fair value is deferred and amortized using the straight-line method under the "Real estate revenue" account in the consolidated statement of income.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

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

Financial liability

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

Impairment of Financial Assets

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

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



Loans and receivables

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

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

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

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

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

Financial asset carried at cost

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

AFS financial assets

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

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated



statement of income in the “Other charges” account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

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

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 Group's projects that have only been granted temporary License to Sell (LTS) as of reporting date. These proceeds are deposited in a local bank and earn interest at prevailing bank deposit rates. "Deposits in escrow" account is not presented as part of cash but rather as part of other current assets. It is restricted as to use but is subject for release upon the grant of permanent LTS.

Materials, Parts and Supplies

Materials, parts and supplies are valued at the lower of cost or NRV. Cost is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

An allowance for inventory losses is provided for slow-moving, obsolete and defective materials, parts and supplies based on management's physical inspection and evaluation. When inventories are sold, the cost and related allowance is removed from the account and the difference is charged against operations.

Land and Improvements

Land and improvements consist of properties for future development and are carried at the lower of cost or NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties.

Investments in Associates and Joint Ventures

Investments in associates and joint ventures (investee companies) are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a joint venture is a joint arrangement that involves the establishment of a separate entity in which each venturer has an interest.

An investment is accounted for using the equity method from the day it becomes an associate or joint venture. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the investee's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Under the equity method, the investments in the investee companies are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the investee companies, less any impairment in values. The consolidated statement of income reflects the share of the results of the operations of the investee companies. The Group's share of post-acquisition movements in the investee's equity reserves is recognized directly in equity. Profits and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the investment.

The Group discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.



The reporting dates of the investee companies and the Group are identical and the investee companies' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

Interest in Joint Operation

Makati Development Corporation (MDC), a subsidiary of the Company, has an interest in joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. MDC recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its financial statements.

The financial statements of the joint operation are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Company.

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group.

The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation, such as repairs and maintenance costs, are normally charged against income in the period in which the costs are incurred.

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

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

The estimated useful lives of investment properties follow:

	Years
Land improvements	8-40
Buildings	20-40

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

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a



change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Property and Equipment

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

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

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

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

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

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

Intangible Assets

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

Intangible assets with finite lives are amortized using the straight-line method over the useful economic life of 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.



Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

As of December 31, 2015 and 2014 intangible asset pertaining to leasehold right is included under "Other noncurrent assets".

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Combinations of entities under common control

Business combinations of entities under common control are accounted for using the pooling of interests method. The pooling of interests method is generally considered to involve the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.



- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined.

The effects of intercompany transactions on current assets, current liabilities, revenues, and cost of sales for the current period presented and on retained earnings at the beginning of the current period presented are eliminated to the extent possible.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The following criteria are also applied in assessing impairment of specific assets:

Investments in associates and joint ventures

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or joint ventures is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of income.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected



future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Pension Cost

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

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

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

Share-based Payments

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

PFRS 2 Options

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

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

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

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



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

Pre-PFRS 2 Options

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

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

Employee Stock Ownership Plan

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

Equity

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

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

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

Equity reserves pertain to gains or losses resulting from increase or decrease in ownership without loss of control.

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

Revenue and Cost Recognition

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

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



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

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 proportion that contract costs incurred for work performed to date compared to the estimated total contract cost and the value of the unfixed goods and materials delivered to the site.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Rental income under noncancellable and cancellable leases on investment properties is recognized in the consolidated statement of income on a straight-line basis over the lease term and the terms of the lease, respectively, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Marketing fees, management fees from administration and property management are recognized when services are rendered.

Rooms revenue from hotel and resort operations is recognized when the services are rendered.

Revenue from banquets and other special events are recognized when the events take place.

Interest income is recognized as it accrues using the effective interest method.

Dividend income is recognized when the Group's right to receive the payment is established.



Commissions

Commissions paid to sales or marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Accordingly, when the percentage of completion method is used, commissions are likewise charged to expense in the period the related revenue is recognized. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Expenses

Direct operating expenses and general and administrative expenses are recognized as they are incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets (included in "Investment properties" and "Property and equipment" accounts in the consolidated statement of financial position). All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Leases

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

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

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

Group as lessee

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

Group as lessor

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



and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Current Tax

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

Deferred Tax

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

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

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

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

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

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

Foreign Currency Transactions

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

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



Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year adjusted for any subsequent stock dividends declared. Diluted EPS is computed by dividing net income for the year attributable to common equity holders of the Company by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential common shares that would have an antidilutive effect on earnings per share.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30 of the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

3. Significant Accounting Judgments and Estimates

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

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.

Assignment agreement – Group as assignee

The Group, through its majority owned subsidiary, NTDC entered into an assignment agreement with MRTDC wherein the latter has assigned its development rights to the Company in exchange for the Company's assumption of Development Rights Payment (DRP) obligation beginning January 1, 2006. The DRP obligation is payable annually for 42 years from the date of assumption, renewable upon expiration. As of December 31, 2015 and 2014, the DRP obligation amounted to ₱812.77 million and ₱740.92 million, respectively (see Notes 16 and 19).

Under PAS 17, *Leases*, the DRP obligation is recognized under the straight-line method. Total DRP obligation paid amounted to ₱210.45 million and ₱204.44 million in 2015 and 2014, respectively. Total rent expense recognized in the statements of comprehensive income under the "Real estate revenue" account included in direct operating expenses amounted to ₱280.03 million and ₱277.79 million in 2015 and 2014, respectively.

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 owns 49.80% of the equity shares until December 31, 2014. The Group is the single largest shareholder of CHI and the remaining shares 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. In 2015, the Group increased its ownership from 49.80% to 56.36%.

NTDCC

Until December 31, 2013, the Group owns 49.29% of the equity shares of NTDCC. The Group is the single largest shareholder of NTDCC with a 73.24% and 63.82% equity interest as of December 31, 2015 and 2014, respectively. The remaining 26.76% of the equity shares in NTDCC as of December 31, 2015 are held by two other shareholders. All the other shareholders need to act collectively for control. There is no history of other shareholders voting jointly.

ACC

For ACC, the Group holds 50% of the voting rights, and is also the single largest shareholder and the remaining 50% of the equity shares are held by several shareholders. The second largest stockholder of ACC holds 8.3% share while the other shareholders' equity interest ranges from 2.1% to 8.3%. In addition, the Group has an existing management services agreement which gives the Group the exclusive control and decision over the relevant activities of ACC.

BG Entities (BGWest, BGSouth and BGNorth)

For the BG entities, wherein the Group and the other shareholder each own 50% of the voting rights, the Group controls the investee through exercise of its exclusive project development and marketing agreement as well as the ability to decide on the financing, operating and strategic policies of the investees. This enabled the Group to conclude that it has control.

Significant influence on investees even if the Group holds less than 20% of voting rights

The Group considers that it has significant influence over investees when it has board representation which allows them to participate in the financial and operating policy decisions but is not control or joint control of those policies (see Note 12).



Classification of joint arrangements

Investments in Joint Ventures

The Group's investments in joint ventures are structured in separate incorporated entities. Even though the Group holds various percentages of ownership interests on these arrangements, their respective joint arrangement agreements requires unanimous consent from all parties to the agreement for the relevant activities identified. In addition, the Group considers the number of its board seats in the incorporated entity. Further, the Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

Investment in Joint Operations

The Group considers whether or not the legal form of the separate entity confers separation between the parties and the separate vehicle. Further, the Group considers whether the terms of their arrangement entitles them to the rights over the specific assets and obligations for the specific liabilities.

Collectibility of the sales price

In determining whether the sales prices are collectible, the Group considers that the initial and continuing investments by the buyer of about 10% would demonstrate the buyer's commitment to pay.

Impairment of AFS equity investments

The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 6 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities (see Note 10).

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense of these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (see Note 34).

Management's Use of Estimates

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

Revenue and cost recognition

The Group's revenue recognition and cost policies require management to make use of estimates and assumptions that may affect the reported amounts of revenues and costs. The Group's revenue from real estate and construction contracts recognized based on the percentage of completion are measured principally on the basis of the estimated completion of a physical proportion of the contract work. See Notes 21 and 22 for the related balances.

Estimating allowance for impairment losses

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify



its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expenses for any period would differ depending on the judgments and estimates made for the year. See Note 7 for the related balances.

Evaluation of net realizable value of real estate inventories

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

Evaluation of asset impairment

The Group reviews its other current assets, land and improvements, investments in associates and joint ventures, investment properties, property and equipment and other noncurrent assets for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the fair value less cost to sell and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the 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, 2015 and 2014. 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 it is not probable as to the tax benefits 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:

	2015	2014
	(In Thousands)	
Cash on hand	₱55,769	₱31,459
Cash in banks	9,364,159	11,345,825
Cash equivalents	9,667,462	17,299,998
	₱19,087,390	₱28,677,282



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 annual interest rates of the cash equivalents follows:

	2015	2014
Philippine Peso	0.6% to 2.3%	0.2% to 3.9%
US Dollar	0.2% to 2.0%	0.5% to 2.0%

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:

	2015	2014
Philippine Peso	–	1.4%
US Dollar	2.1%	2.0%

6. Financial Assets at FVPL

This account consists of:

	2015	2014
	(In Thousands)	
Investment in Unit Investment Trust Fund (UITF)	₱288,229	₱5,607,838
Investment in ARCH Capital Fund (Note 12)	443,448	656,731
	₱731,677	₱6,264,569

The Group invested in the BPI Short Term Fund (STF) in July 2013 and BPI Money Market Fund (MMF) in April 2015 (the Funds). The Funds, which are structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments. The Funds have no minimum holding period. As of December 31, 2015 and 2014, the total Net Asset Value (NAV) of the Funds under BPI STF aggregated to ₱51,986.0 million and ₱54,207.2 million with duration of 66 days and 19 days, respectively. While the total Net Asset Value (NAV) of the Funds under BPI MMF as of December 31, 2015 aggregated to ₱4,133.3 million. The fair value of the Group's total investment in the Fund amounted to ₱288.2 million and ₱5,607.8 million as of December 31, 2015 and 2014, respectively. During the year, the Group redeemed majority of its UITF investments as part of its strategy to manage cash.

Investment in ARCH Capital Fund pertains to monetary interest in a fund in which the 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, 2015:

2015

		Fair value measurement using			
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Date of Valuation	Total			
(In Thousands)					
Investment in Unit Investment Trust Fund (UITF)	December 31, 2015	₱288,229	₱-	₱288,229	₱-
Investment in ARCH Capital Fund	September 30, 2015	443,448	-	-	443,448

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	P5,607,838	P-	P5,607,838	P-
Investment in ARCH Capital Fund	September 30, 2014	656,731	-	-	656,731

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:

	2015	2014
	(In Thousands)	
Balance at beginning of year	P656,731	P608,843
Redemptions	(280,852)	(380,557)
Additions	32,264	317,325
Unrealized gains included under "Interest and investment income"	35,305	111,120
Balance at end of year	P443,448	P656,731



7. Accounts and Notes Receivable

This account consists of:

	2015	2014
	(In Thousands)	
Trade:		
Residential and office development	P65,833,104	P51,368,845
Construction contracts	2,635,587	2,181,689
Shopping centers	2,124,332	1,963,423
Corporate business	1,113,385	1,829,497
Management fees	116,649	139,122
Others	1,242,658	415,567
Advances to other companies	15,514,459	18,079,838
Advances to contractors and suppliers	13,277,594	9,629,745
Accrued receivables	3,162,248	2,543,092
Receivables from related parties (Note 25)	1,012,585	1,515,295
Investment in bonds classified as loans and receivables	258,000	450,000
Receivables from employees	711,608	431,916
	107,002,209	90,548,029
Less allowance for impairment losses	784,808	599,866
	106,217,401	89,948,163
Less noncurrent portion	41,256,656	31,374,498
	P64,960,745	P58,573,665

The classes of trade receivables of the Group are as follows:

- Residential and office 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; sale of office units; 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 lots
- Management 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 ten (10) years and with annual interest rates ranging from 3% to 16% computed on the diminishing balance of the principal. Titles to real estate properties are transferred to the buyers only once full payment has been made.

Receivables from shopping centers, construction contracts and management fees are due within 30 days upon billing.

Corporate business receivables are collectible on a monthly or quarterly basis depending on the terms of the lease contracts.

Advances to other companies includes advances made to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. The Group does not intend that these advances will be repaid, but will instead be recorded as part of the project costs upon development or as part of consideration for purchases of land. The documentation for these advances provides that these will be payable over a fixed term or on demand in order to allow for repayment of the advances when closing does not occur.



In 2015, Advances to other companies also includes Receivables from MRT Development Corporation (MRTDC) shareholders which pertains to interest-bearing advances to MRTDC equivalent to the Pre-2006 Development Rights Payment (DRP) Payables and the Residual Depot DRP which is due more than one year, in relation to the funding and repayment agreement. As of December 31, 2015 and 2014, Receivables from MRTDC shareholders amounted to ₱522.6 million and nil, respectively. As of December 31, 2015 and 2014, Receivable from MRTDC amounted to nil and ₱871.7 million, respectively.

On December 17, 2014, the Company, MRTDC and MRTDC shareholders executed a “funding and repayment agreement” wherein the latter agrees to repay the Company, for the account of MRTDC, its respective pro rata share in the Total Depot DRP Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders (except Fil Estate Properties, Inc. and Metro Global Holdings Corporation who are also MRTDC Shareholders as of date) shall effect the repayment of their respective pro rata share in the Total Depot DRP Payables, through a set-off against their respective share in the commercial center royalties to be received from the Group.

Set off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

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:

- ₱100.0 million investment in 5.875% unsecured subordinated notes of Land Bank of the Philippines due 2022, callable in 2017. In December 2015, LBP issued an irrevocable early redemption notice wherein all of the outstanding notes will be redeemed at issue price on January 27, 2016. As of December 31, 2015, the Company's investment in the notes amounted to ₱58.0 million since the Company sold a portion of the notes at face value soon after the LBP early redemption notice.
- ₱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. (FMIC) due 2019, callable in 2017. The Company sold ₱350.0 million worth of bonds at carrying value with net gain of ₱6.9 million in 2014 and the remaining balance of ₱150.0 million at a net gain of ₱4.5 million in 2015. As of December 31, 2015, the Company has no outstanding investment in FMIC bonds.



Receivables amounting to ₱784.8 million and ₱599.9 million as of December 31, 2015 and 2014, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2015

	Trade						Advances to Other Companies	Total
	Residential and office Development	Shopping Centers	Construction Contracts	Corporate business	Management Fees	Others		
	(In Thousands)							
Balance at beginning of year	₱23,110	₱299,652	₱45,297	₱—	₱3,012	₱59,266	₱169,529	₱599,866
Provisions during the period (Note 22)	—	121,560	—	33,004	—	25,381	7,683	187,628
Translation adjustment	—	—	—	—	—	1,447	—	1,447
Reversal (Note 22)	—	—	—	11,884	—	(356)	—	11,528
Accounts written off	—	(11,982)	—	—	—	(2,719)	(960)	(15,661)
Balance at end of year	₱23,110	₱409,230	₱45,297	₱44,888	₱3,012	₱83,019	₱176,252	₱784,808
Individually impaired	₱9,555	₱217,217	₱45,297	₱44,888	₱2,614	₱53,890	₱175,924	₱549,385
Collectively impaired	13,555	192,013	—	—	398	29,129	328	235,423
Total	₱23,110	₱409,230	₱45,297	₱44,888	₱3,012	₱83,019	₱176,252	₱784,808
Gross amounts of receivables individually determined to be impaired	₱9,555	₱217,217	₱45,297	₱44,888	₱2,614	₱53,890	₱175,924	₱549,385

2014

	Trade						Advances to Other Companies	Total
	Residential and Office Development	Shopping Centers	Construction Contracts	Corporate business	Management Fees	Others		
	(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

As of December 31, 2015 and 2014, nominal amounts of trade receivables from residential and office development, advances to other companies and receivables from employees totaling ₱86,920.2 million and ₱74,642.9 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, 2015 and 2014 follow:

	2015	2014
	(In Thousands)	
Balance at beginning of year	₱4,762,256	₱4,950,398
Additions during the year	3,890,725	2,213,622
Accretion for the year (Note 22)	(3,791,990)	(2,401,764)
Balance at end of year	₱4,860,991	₱4,762,256

In 2015 and 2014, the Group entered into agreements with BPI Family Savings Bank for the assignment of interest-bearing employee receivables amounting to ₱71.5 million and ₱105.4 million, respectively. The transactions were without recourse and did not result to any gain or loss.



8. Inventories

This account consists of:

	2015	2014
	(In Thousands)	
Real estate:		
Residential and commercial lots:		
At cost	₱23,652,367	₱25,805,906
At NRV	936,183	936,183
	24,588,550	26,742,089
Residential and commercial units - at cost	30,883,793	18,765,608
Offices	2,145,973	1,022,810
Club shares - at cost	1,628,646	1,648,684
	₱59,246,962	₱48,179,191

A summary of the movement in inventories is set out below:

2015

	Residential and commercial lots	Residential and commercial Units	Offices	Club shares	Total
	(In Thousands)				
Opening balances at January 1	₱26,742,089	₱18,765,608	₱1,022,810	₱1,648,684	₱48,179,191
Land acquired during the year	815,568	57,927	-	-	873,495
Land cost transferred from land and improvements (Notes 11 and 35)	1,978,739	4,761,054	1,100,000	-	7,839,793
Construction/development costs incurred	7,773,816	26,515,912	2,738,862	-	37,028,590
Borrowing costs capitalized	-	(178,589)	-	-	(178,589)
Disposals (recognized as cost of real estate sales) (Note 22)	(12,576,574)	(18,792,950)	(2,715,699)	(20,038)	(34,105,261)
Transfers (Note 35)	(52,007)	-	-	-	(52,007)
Other adjustments/reclassifications	(93,081)	(245,169)	-	-	(338,250)
	₱24,588,550	₱30,883,793	₱2,145,973	₱1,628,646	₱59,246,962

2014

	Residential and commercial lots	Residential and commercial Units	Offices	Club shares	Total
	(In Thousands)				
Opening balances at January 1	₱17,349,871	₱24,192,669	₱343,631	₱1,686,074	₱43,572,245
Land acquired during the year	7,223,855	1,165,867	-	-	8,389,722
Land cost transferred from land and improvements (Notes 11 and 35)	5,584,924	5,051,655	-	-	10,636,579
Construction/development costs incurred	4,915,883	10,982,161	1,250,864	-	17,148,908
Borrowing costs capitalized	-	-	-	-	-
Disposals (recognized as cost of real estate sales) (Note 22)	(8,689,613)	(22,877,545)	(571,685)	(37,390)	(32,176,233)
Transfers (Note 35)	301,247	387,164	-	-	688,411
Other adjustments/reclassifications	55,922	(136,363)	-	-	(80,441)
	₱26,742,089	₱18,765,608	₱1,022,810	₱1,648,684	₱48,179,191



The cost of the inventories carried at NRV amounted to ₱2,606.6 million and ₱2,524.0 million as of December 31, 2015 and 2014, respectively. The Group recorded provision for impairment amounting to ₱82.6 million and nil in 2015 and 2014, respectively (see Note 22).

9. Other Current Assets

This account consists of:

	2015	2014
	(In Thousands)	
Prepaid expenses	₱8,679,932	₱10,086,621
Value-added input tax - net	5,643,543	5,926,976
Creditable withholding taxes	3,253,690	1,502,802
Deposits in escrow	2,096,089	5,321,900
Materials, parts and supplies - at cost	1,753,891	458,562
Others	585,055	341,472
	₱22,012,200	₱23,638,333

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, 2015 and 2014, value-added input tax is carried net of allowance amounting to ₱204.9 million.

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.

Deposits in escrow pertain to the proceeds from the sale of the Group's projects that have only been granted temporary LTS as of reporting date.

10. Available-for-Sale Financial Assets

This account consists of investments in:

	2015	2014
	(In Thousands)	
Shares of stock:		
Unquoted	₱350,765	₱261,115
Quoted	226,319	384,153
	577,084	645,268
Net unrealized gain (loss)	(76,725)	139,103
	₱500,359	₱784,371

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.

In 2015, the Group recorded provision for impairment losses on investments in unquoted shares amounting to ₱28.1 million which was included under "Other charges" in the consolidated statements of income (see Note 22).



Movements in the net unrealized gain on AFS financial assets follow:

	2015	2014
	(In Thousands)	
Balance at beginning of year	₱139,103	₱50,752
Fair value changes during the year	(164,648)	118,111
Fair value loss transferred to profit or loss	(51,180)	(29,760)
Balance at end of year	(₱76,725)	₱139,103

As of December 31, 2015 and 2014, unrealized gain on AFS attributable to non-controlling interests amounted to ₱4.1 million and ₱3.3 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, 2015 and 2014:

2015

		Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Date of Valuation			(Level 1)	(Level 2)	(Level 3)
(In Thousands)					
Shares of stock:					
Quoted					
Retail	December 31, 2015	₱92,334	₱92,334	₱—	₱—
Tourism and leisure	December 31, 2015	57,260	57,260	—	—
Unquoted					
Tourism and leisure	Various	317,557	—	—	317,557
Utilities and energy	Various	21,058	—	—	21,058
Real estate	Various	11,888	—	—	11,888
Telecommunication	Various	262	—	—	262
		₱500,359	₱149,594	₱—	₱350,765

2014

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



11. Land and Improvements

The rollforward analysis of this account follows:

	2015	2014
	(In Thousands)	
Cost		
Balance at beginning of year	₱80,954,667	₱63,232,845
Additions	21,061,610	28,358,401
Transfers (Notes 8, 13 and 35)	(7,898,343)	(10,636,579)
Donation (Note 22)	(108,735)	–
Balance at end of year	94,009,199	80,954,667
Allowance for impairment losses		
Balance at beginning and end of year	510,125	510,125
Provision during the year (Note 22)	196,568	–
Balance at end of year	706,693	510,125
	₱93,302,506	₱80,444,542

On November 6, 2015, the Company executed the Deed of Absolute Sale (DOAS) for the acquisition of 95,620 sqm property located along Barangay Talipapa, Novaliches, Quezon City amounting to ₱1.09 billion purchase price (net of capital gains tax). The acquisition is in pursuant to the Terms of Reference (TOR) as of March 4, 2015 between the Company and the SEC-appointed Liquidator of Rubberworld Philippines, Inc.

On October 12, 2015, the Company donated 60,000 sqm of real properties to De La Salle Santiago Zobel School which is located in Cavite and with carrying amount of ₱108.74 million.

In July 2015, Avida entered into a contract with AC for the purchase of land in San Antonio, Makati City with the purchase price amounted to ₱644.1 million, inclusive of VAT. Payments were made in two tranches, with the first one in July 2015 amounting to ₱471.6 million (inclusive of VAT and CWT) and the balance of ₱172.5 million in October 2015.

On June 30, 2015, the Group, through SM-ALI Group consortium, participated and won the bidding for Lot No. 8-B-1, containing an area of 263,384 sq. m., which is a portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. SM and ALI shouldered the total consideration amounting to ₱10.01 billion by 56.99% and 43.01% proportion, respectively. SM-ALI Group consortium is a consortium among SM Prime Holdings, Inc. (SM), ALI and Cebu Holdings, Inc.. The SM-ALI Group will co-develop the property pursuant to a joint master plan.

On November 26, 2014, 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 sq. m. property located along Ayala Avenue, Makati for ₱1.2 billion.

In 2012, the Group won the public bidding at an amount of ₱24,313.0 million for the purchase of the 74-hectare 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.

The Group recorded provision for impairment amounting to ₱196.6 million and nil in 2015 and 2014, respectively.

12. Investments in Associates and Joint Ventures

This account consists of:

	2015	2014
	(In Thousands)	
Acquisition cost	₱13,624,178	₱6,638,616
Accumulated equity in net earnings:		
Balance at beginning of year	4,324,566	4,697,914
Equity in net earnings during the year	(140,488)	646,537
Dividends received during the year	(286,739)	(1,019,885)
Balance at end of year	3,897,339	4,324,566
	₱17,521,517	₱10,963,182



Details of the Group's investments in associates and joint ventures and the related percentages of ownership are shown below:

	Percentages of Ownership		Carrying Amounts	
	2015	2014	2015	2014
(In Thousands)				
Joint ventures:				
Emerging City Holdings, Inc. (ECHI)	50%	50%	₱4,110,969	₱4,112,702
Berkshires Holdings, Inc. (BHI)	50	50	1,813,402	1,815,344
Cebu District Property Enterprise, Inc. (CDPEI)	42	42	1,490,511	1,492,009
Alveo-Federal Land Communities, Inc.	50	—	572,132	—
SIAL Specialty Retailers, Inc. (SIAL Specialty)	50	50	417,409	332,316
SIAL CVS Retailers, Inc. (SIAL CVS)	50	50	263,629	152,511
AyaGold Retailers, Inc. (AyaGold)	50	50	115,813	43,949
			8,783,865	7,948,831
Associates:				
Modular Construction Technology Bhd (MCT)	33	—	6,067,560	—
Bonifacio Land Corp. (BLC)	10	10	1,353,477	1,355,882
Rize-Ayalaland (Kingsway) GP, Inc. (Rize-Ayalaland)	49	49	546,324	696,757
Tianjin Eco-City Ayala Land Development Co., Ltd. (Tianjin Eco-City)	40	40	347,909	483,981
Mercado General Hospital, Inc. (MGHI)	33	33	373,238	422,392
Lagoon Development Corporation	30	30	48,144	54,339
Others	Various	Various	1,000	1,000
			8,737,652	3,014,351
			₱17,521,517	₱10,963,182

As of December 31, 2015 and 2014, the Group had total commitments relating to the Group's interests in the joint ventures amounting to ₱341.0 million and ₱975.1 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

MCT

On April 6, 2015, the Group, through its wholly-owned subsidiary, RWIL, has acquired 9.16% of the shares of Modular Construction Technology (MCT) Bhd. (formerly Malaysian company GW Plastics Holdings Bhd.), through a private placement for a total amount of US\$43 million or ₱1.9 billion. MCT Bhd., first established in 1999 as a construction company, is a property development company specializing in mixed-use projects that include retail, office, hotel, and mid-to affordable residential. The company is able to deliver projects at lower costs by adhering to a modular construction technique and by being an integrated builder with an in-house design team, inhouse trading company, direct execution of specialist works and its own pre-cast and ready-mixed concrete plants.

In May 2015, the Group entered into call option agreements with the two founders and majority shareholders of MCT, Barry Goh Ming Choon and Tong Seech Wi, that will give the Group the opportunity to increase its shareholdings in MCT up to a maximum of 32.95%. Then, on October 15, 2015, the Group exercised its option to acquire additional shares of Malaysian development and construction company, MCT, Bhd. (MCT) for a total cost of US\$92 million to bring its total shareholding from 9.16% to 32.95%. The increase in stake will provide the Company with the opportunity to establish a stronger foothold in the Real Estate sector in Malaysia. RWIL received dividends from MCT on October 19, 2015 which amounted to US\$0.58 million or ₱26.6 million.



Set out below is the summarized financial information for MCT (in Thousands):

	2015
Current assets	₱8,398,560
Noncurrent assets	6,377,760
Current liabilities	4,389,660
Noncurrent liabilities	2,125,296
Equity	₱8,261,364
Proportion of Group's ownership	33%
Carrying amount of the investment	₱6,067,560
Dividends received	₱26,645

Net assets attributable to the equity holders of MCT amounted to ₱18,221.0 million as of December 31, 2015.

	2015
Revenue	₱12,561,240
Cost and expenses	(11,496,631)
Net income (continuing operations)	1,064,609
Group's share in net income for the year	181,505
Total comprehensive income	1,064,609
Group's share in total comprehensive income for the year	181,505

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:

	2015	2014
	(In Thousands)	
Current assets	₱15,083,884	₱24,747,739
Noncurrent assets	30,376,970	20,183,121
Current liabilities	3,629,028	4,785,573
Noncurrent liabilities	7,887,621	4,903,468
Equity	₱33,944,205	₱35,241,819
Proportion of Group's ownership	10%	10%
Carrying amount of the investment	₱1,353,477	₱1,355,882
Dividends received	₱55,475	₱232,403

Net assets attributable to the equity holders of BLC amounted to ₱16,986.6 million and ₱18,221.0 million as of December 31, 2015 and 2014, respectively.

	2015	2014
	(In Thousands)	
Revenue	₱3,640,368	₱9,186,619
Cost and expenses	(2,294,133)	(5,819,431)
Net income (continuing operations)	1,346,235	3,367,188
Group's share in net income for the year	134,624	336,719
Total comprehensive income	1,346,235	3,367,188
Group's share in total comprehensive income for the year	134,624	336,719



Aggregate financial information on associates with immaterial interest (Rize-Ayalaland, Tianjin Eco-City, LDC, MGHI and others) is as follows:

	2015	2014
	(In Thousands)	
Carrying amount	₱1,384,895	₱1,658,469
Share in loss from continuing operations	(131,567)	(51,571)
Share in total comprehensive loss	(131,567)	(51,571)

Aggregate financial information on joint ventures with immaterial interest (ECHI, BHI, CDPEI, Alveo-Federal, SIAL CVS, SIAL Specialty and AyaGold) is as follows:

	2015	2014
	(In Thousands)	
Carrying amount	₱8,783,865	₱7,948,831
Share in income (loss) from continuing operations	(62,090)	504,384
Share in total comprehensive income (loss)	(62,090)	504,384

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 representing 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.



Subsequent to this, the Company and EHI acquired additional shares of BLC through a combination of direct acquisition and through its associates at varying dates:

On July 31, 2008, the Group acquired, through the Company, Regent Time and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.66% ownership in BLC. In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. This resulted in an increase in the Group's effective interest in BLC to 45.05% as of December 31, 2009.

In 2011, BLC redeemed its 3,485,050 preferred shares with an aggregate redemption price of ₱500.0 million.

Investment in ARCH Capital Fund

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

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

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

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.

As of December 31, 2015 and 2014, the Company's remaining capital commitment with the Fund both amounted to nil.

Investment in AMHRI

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



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

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

Investment in Alveo-Federal Land Communities, Inc.

Alveo Land Corp. signed a JVA with Federal Land, Inc. last April 29, 2015 for equal ownership over AFLCI. The JV is for the development of project Lexus located in Laguna near Nuvali.

Investment in SIAL Specialty

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

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

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

Investment in SIAL CVS

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

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

Investment in AyaGold Retailers, Inc.

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

Investment in MGHI

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

Investment in Rize-Ayalaland

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



Investment in Cebu District Property Enterprise, Inc.

Cebu District Property Enterprise, Inc. (CDPEI) was incorporated on February 20, 2014 and is a 50:50 joint venture between the Company and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue. On April 11, 2014, ALI's 50% equity was further broken down to 35% ALI, 10% CHI and 5% CPVDC.

In addition to PFRS 12 disclosure requirements, the financial information on the Company's significant subsidiary with material NCI follows:

CHI and Subsidiaries

CHI, a publicly-listed company, was incorporated in the Republic of the Philippines. It is engaged in real estate development, sale of subdivided land, residential and office condominium units, sports club shares, and lease of commercial spaces. The registered office address of the Parent Company is at 7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City, Philippines.

	2015	2014
	(In Thousands, except for %)	
Proportion of equity interests held by non-controlling interests	43.6%	50.2%
Accumulated balances of material non-controlling interests	₱3,084,157	₱3,209,242
Net income allocated to material non-controlling interest	479,125	317,382
Comprehensive income allocated to material non-controlling interest	463,129	312,063

The summarized financial information of CHI is provided below. This information is based on amounts before inter-company eliminations.

	2015	2014
	(In Thousands)	
Statement of financial position		
Current assets	₱5,256,342	₱5,873,476
Noncurrent assets	14,476,845	10,514,732
Current liabilities	(5,517,894)	(3,577,942)
Noncurrent liabilities	(7,303,187)	(6,586,380)
Total equity	6,912,106	6,223,886
Attributable to:		
Equity holders of CHI	6,065,271	5,468,388
Non-controlling interests	846,835	755,498
Dividends paid to non-controlling interests	26,794	26,794

For the years ended December 31

	2015	2014
	(In Thousands)	
Statement of comprehensive income		
Revenue	₱3,740,259	₱2,293,579
Cost and expenses	(2,466,269)	(1,562,669)
Income before income tax	1,273,990	730,910
Provision for income tax	(328,652)	(165,056)
Income from operations	945,338	565,854
Other comprehensive loss	2,241	(6,598)
Total comprehensive income	947,579	559,256
Attributable to:		
Equity holders of CHI	829,448	524,279
Non-controlling interests	118,131	34,977



	For the years ended December 31	
	2015	2014
	(In Thousands)	
Statement of cash flows		
Operating activities	₱625,407	₱1,362,600
Investing activities	(2,655,348)	(1,303,370)
Financing activities	(749,763)	2,070,834
Net increase (decrease) in cash and cash equivalents	(₱2,779,704)	₱2,130,064

The fair value of the investment in CHI amounted to ₱5,605.3 million and ₱4,934.2 million as of December 31, 2015 and 2014, respectively.

13. Investment Properties

The rollforward analysis of this account follows:

2015

	Land	Buildings	Construction in Progress	Total
	(In Thousands)			
Cost				
Balance at beginning of year	₱8,951,515	₱71,142,177	₱5,936,777	₱86,030,469
Additions	2,795,057	5,333,981	6,264,639	14,393,677
Acquisitions through business combinations (Note 24)	—	1,584,929	—	1,584,929
Disposals	(566)	(745,835)	—	(746,401)
Transfers (Note 35)	26,003	2,504,512	(2,347,014)	183,501
Balance at end of year	11,772,009	79,819,764	9,854,402	101,446,175
Accumulated Depreciation				
Balance at beginning of year	—	18,132,527	—	18,132,527
Depreciation	—	3,071,420	—	3,071,420
Disposals	—	(263,143)	—	(263,143)
Transfers	—	40,596	—	40,596
Balance at end of year	—	20,981,400	—	20,981,400
Net Book Value	₱11,772,009	₱58,838,364	₱9,854,402	₱80,464,775

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



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 ₱249,100.0 million and ₱248,276.5 million as of December 31, 2015 and 2014, 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, 2015 and 2014:

2015

		Fair value measurement using			
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Date of Valuation	Total	(In Thousands)		
Land properties	Various	₱171,619,875	₱—	₱—	₱171,619,875
Retail properties	Various	49,200,907	—	—	49,200,907
Office properties	Various	27,921,658	—	—	27,921,658
Hospital properties	Various	357,545	—	—	357,545

2014

		Fair value measurement using			
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Date of Valuation		Total	(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

The values of the land and buildings were arrived at using the Market Data Approach and Cost Approach, respectively. In Market Data Approach, the value of the land is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. In the Cost Approach, the value of the buildings is determined by the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation based on physical wear and tear, and obsolescence plus an estimate of developers' profit margin.

For Market Data 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 ₱39.2 million, ₱76.1 million and ₱113.5 million in 2015, 2014 and 2013, respectively. The capitalization rates are 4.75-5.32%, 5.49% and 0.5%-8.2% in 2015, 2014 and 2013, respectively (see Note 17).



Consolidated rental income from investment properties amounted to ₱18,928.0 million, ₱16,380.0 million and ₱13,217.0 million in 2015, 2014 and 2013, respectively (see Note 21). Consolidated direct operating expenses arising from the investment properties in 2015, 2014 and 2013 amounted to ₱5,237.8 million, ₱4,076.0 million and ₱3,345.2 million, respectively (see Note 22).

Depreciation and amortization expense pertaining to investment properties amounted to ₱3,071.4 million, ₱3,056.4 million and ₱2,472.1 million in 2015, 2014 and 2013, respectively (see Note 22).

14. Property and Equipment

The rollforward analysis of this account follows:

2015

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
(In Thousands)						
Cost						
January 1	₱2,782,611	₱7,392,451	₱2,883,171	₱1,175,445	₱14,514,264	₱28,747,942
Additions	2,124,789	2,720,405	1,035,103	204,325	754,615	6,839,237
Acquisitions through business combination	—	—	—	721,411	—	721,411
Disposals/Write-offs	(67,314)	(75,961)	(95,595)	(149,625)	(2,045)	(390,540)
Transfers (Note 35)	162,331	(209,404)	(83,389)	—	667	(129,795)
December 31	5,002,417	9,827,491	3,739,290	1,951,556	15,267,501	35,788,255
Accumulated Depreciation and Amortization						
January 1	1,146,147	2,818,436	2,224,454	578,830	3,155,163	9,923,030
Depreciation and amortization (Note 22)	349,221	689,847	363,619	123,899	464,914	1,991,500
Disposals	(61,247)	(65,686)	(69,684)	(134,716)	(801)	(332,134)
Transfers	—	—	(40,596)	—	—	(40,596)
December 31	1,434,121	3,442,597	2,477,793	568,013	3,619,276	11,541,800
Net Book Value	₱3,568,296	₱6,384,894	₱1,261,497	₱1,383,543	₱11,648,225	₱24,246,455

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

The consolidated depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱1,991.5 million, ₱1,927.4 million and ₱1,419.7 million in 2015, 2014 and 2013, respectively. In 2015 and 2014, interest capitalized amounted to nil and ₱16.7 million, respectively (see Note 17).



15. Other Noncurrent Assets

Other noncurrent assets totaling ₱10,934.3 million and ₱6,563.2 million as of December 31, 2015 and 2014, respectively consist of deferred charges, deposits, pension assets (see Note 26) and other assets.

Deferred charges consist of prepayments for expenses that is amortized for more than one year.

As of December 31, 2015 and 2014, this account also includes leasehold right of a subsidiary amounting to ₱93.5 million and ₱100.1 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, 2015 and 2014 amounted to ₱33.9 million and ₱27.2 million, respectively. Amortization expense (included under "Hotels and resorts operations") amounted to ₱6.7 million in each period (see Note 22).

In 2015, this account includes consideration for the development rights of a subsidiary by way of advance rental payments to Global Estate Resorts, Inc. (GERI). The cost amounted to ₱294.36 million as of December 31, 2015. This is noninterest bearing and amortized over the lease term.

16. Accounts and Other Payables

This account consists of:

	2015	2014
	(In Thousands)	
Accounts payable	₱72,996,316	₱59,209,686
Accrued project costs	16,655,458	17,480,704
Taxes payable	10,724,843	11,544,726
Liability for purchased land	5,875,204	3,069,452
Accrued salaries and employee benefits	2,796,416	2,215,428
Accrued repairs and maintenance	2,779,655	1,485,352
Accrued professional and management fees	2,535,687	2,311,215
Accrued utilities	2,115,225	1,960,472
Interest payable	1,511,793	1,512,878
Accrued rentals	1,204,094	1,232,152
Accrued advertising and promotions	900,046	2,217,058
Payable to related parties (Note 25)	662,862	1,895,085
Dividends payable	348,087	67,509
DRP obligation	261,590	257,774
Retentions payable	28,763	139,312
Other accrued expenses	361,163	393,518
	₱121,757,202	₱106,992,321

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 30- to 60-day terms, except for accrued project costs.

Liability for purchased land pertains to the portion of unpaid unsubdivided land acquired payable during the year.



DRP obligation pertains to the current portion of the liability arising from the assignment agreement between the Group and MRTDC of the latter's development rights (see Note 34). In consideration of the lease, the Group will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Group's commercial center business. Of the 5% variable amount due, the 2.42% shall be directly paid by the to the minority shareholders of Monumento Rail Transit Corporation, the 28.47% shall be paid directly to Metro Global Holdings Corporation and the remaining 69.11% shall be applied against receivables (see Note 7).

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 ₱10,486.3 million and ₱16,302.3 million as of December 31, 2015 and 2014, respectively, represents unsecured peso-denominated bank loans and dollar-denominated bank loans. In compliance with BSP ruling on directors, officers, stockholders and related interests, certain short-term debt with a carrying value of ₱1,669.0 million as of December 31, 2015 are secured by a real estate mortgage dated September 2, 2014 covering certain properties of the Company.

Dollar-denominated short-term loans amounted to ₱1,053.0 million and ₱1,661.5 million in 2015 and 2014, respectively.

Interest rates for these dollar-denominated short-term loans are as follows:

	2015	2014
Philippine Peso	2.1% to 3.1%	2.0% to 3.0%
US Dollar	1.1% to 1.3%	1.1% to 1.2%

Long-term debt consists of:

	2015	2014
	(In Thousands)	
Company:		
Bonds:		
Due 2015	₱-	₱986,710
Due 2016	2,182,850	1,982,700
Due 2019	9,350,000	9,350,000
Due 2020	4,000,000	4,000,000
Due 2022	12,650,000	5,650,000
Due 2024	15,000,000	15,000,000
Due 2025	8,000,000	8,000,000
Due 2033	2,000,000	2,000,000
Fixed rate corporate notes (FXCNs)	14,328,400	14,429,200
Php - denominated long term loan	15,442,250	-
US Dollar - denominated long term loan	1,882,400	2,360,545
	85,835,900	64,759,155

(Forward)



	2015	2014
	(In Thousands)	
Subsidiaries:		
Bank loans - Philippine Peso	₱28,603,105	₱34,314,451
Bank loans - US Dollar	1,508,861	4,724,017
Fixed rate corporate notes	5,000,000	5,000,000
	35,111,966	44,038,468
	120,947,866	108,797,623
Less unamortized transaction costs	438,013	434,266
	120,509,853	108,363,357
Less current portion	8,807,652	5,066,903
	₱111,702,201	₱103,296,454

Company

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. In 2015, ₱767.0 million was paid and the remaining ₱219.7 million is due for settlement in January 7, 2016.

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. The outstanding bond as of December 31, 2015 amounted to ₱1,963.18 million.

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 Philippine Rating Services Corporation ("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 PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022

In April 2015, the Company issued a total of ₱7,000.0 million bonds due 2022 at a fixed rate equivalent to 4.5% p.a. The Bonds have been rated PRS Aaa by 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%, repriced 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, 2015 and 2014, 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 ₱10,000.0 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 had 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), repriced quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014



and October 2015, the Company made partial prepayments on the loan in the amount of US\$5.75 million and US\$12.785 million, respectively.

Peso-denominated Long-term Loans

In August to September 2015, the Company assumed an aggregate of ₱15,442.3 million various long-term facilities of some Subsidiaries from various banks. The loans bear fixed interest rates ranging from 4.5% to 4.725% p.a. and terms ranging from 4.4 years to 10.5 years.

Subsidiaries

The subsidiaries' loans will mature on various dates up to 2023. Peso-denominated loans bear various floating interest rates at 60 bps to 80 bps spread over the benchmark 91-day PDST-R1/R2 or and fixed interest rates ranging from 3.56% to 5.75% p.a. Certain loans which are subject to floating interest rates are subject to floor floating interest rates equivalent to 95% or par of the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSP Overnight Rate) or at the BSP Overnight Rate plus a spread of 20 bps to 75 bps p.a.. Dollar-denominated loans bear floating interest rates at a credit spread over the benchmark three-month US Dollar LIBOR, repriced quarterly. In compliance with BSP ruling on directors, officers, stockholders and related interests, certain credit facilities with a total carrying value of ₱11,912.4 million and ₱14,499.6 million as of December 31, 2015 and 2014, respectively, are secured by a real estate mortgage dated September 2, 2014 covering certain properties of the Company.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021

In June 2014, Cebu Holdings, Inc. a total of ₱5,000.0 million bonds due 2021 at a fixed rate equivalent to 5.32% p.a. The Bonds have been rated PRS Aaa by PhilRatings, indicating that obligor's capacity to meet its financial commitment on the obligation is extremely strong.

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, 2015 and 2014.

Interest capitalized amounted to ₱116.7 million and ₱142.2 million in 2015 and 2014, respectively. The capitalization rates are 4.75-5.32% in 2015 and 4.36-5.49% in 2014.

Transaction costs capitalized amounted to ₱65.0 million and ₱138.1 million in 2015 and 2014, respectively. Amortization amounted to ₱61.3 million and ₱63.8 million in 2015 and 2014, respectively and included under "Interest and other financing charges" (see Note 22).

18. Deposits and Other Current Liabilities

Deposits and other current liabilities which amounted to ₱3,798.2 million and ₱5,591.9 million as of December 31, 2015 and 2014, respectively, consists of residential customers' deposit which are collections that have not reached the 10% threshold to qualify for revenue recognition, deferred credits, tenants' deposit and other deposit, and construction bond which will be applied against the rent and service due.



19. Deposits and Other Noncurrent Liabilities

Deposits and other noncurrent liabilities consist of:

	2015	2014
	(In Thousands)	
Deposits	₱17,239,184	₱16,267,649
Estimated liability on property development	8,272,014	3,999,529
Retentions payable	5,122,306	3,952,568
DRP obligation	551,182	483,144
Liability for purchased land	110,475	203,329
Other liabilities	101,864	598,257
	₱31,397,025	₱25,504,476

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 for property development are estimates for additional project cost to be incurred for project development.

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

DRP obligation pertains to the liability arising from the assignment agreement between NTDC and MRTDC of the latter's development rights (see Note 34). In consideration of the lease, the Company will be charged an annual rent related to the original DRP obligation on the MRTDC and 5% of the rental income from the Company's commercial center business.

Liability for purchased land pertains to unpaid portion of unsubdivided land acquired.

Other liabilities is composed of subscription payable, trade payables, accrued payable and interest and other nontrade payables.

20. Equity

The details of the number of shares follow:

	2015		2014	
	Preferred	Common	Preferred	Common
	(In Thousands)			
Authorized	15,000,000	20,000,000	15,000,000	20,000,000
Issued	13,066,495	14,586,068	13,066,495	14,088,208
Subscribed	—	109,563	—	102,281
Outstanding	13,066,495	14,695,631	13,066,495	14,190,489

Preferred Shares

The Company's preferred shares prior to 2012 were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.64% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.



The dividends for preferred shares are declared upon the sole discretion of the Company's BOD.

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a company's Filipino-ownership level:

- a. Redemption and retirement of the 13.0 billion outstanding preferred shares.
- b. Reclassification of the 1.97 billion unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
- c. Increase in authorized capital stock by ₱1.3 billion creating new voting preferred shares and a stock rights offer of 13.0 billion voting preferred shares from the increase in the authorized capital stock.

On April 18, 2012, the stockholders ratified the BOD resolution on the capital restructuring. The voting preferred shares shall have the following features, rights, and privileges (a) voting; (b) dividend rate of 4.74786% per annum, equivalent to 90% of the 10-year PDST R2 (repriced every ten (10) years from issue date), payable annually, non-cumulative; (c) convertible at the option of the holder at a ratio of one (1) voting preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (d) no pre-emptive rights; (e) redeemable at par at the sole option of the corporation; (f) non-listed; and, (g) preferred in liquidation to the extent of par value.

The SEC approved on January 31, 2013 the following:

- a. The decrease in authorized capital stock by ₱1,303.5 million, the aggregate par value of the 13,034.6 million preferred shares which have been redeemed and retired, from ₱22,803.5 million to ₱21,500.0 million, and
- b. The amendments to Articles of Incorporation reflecting the decrease in capital stock.

Common Shares

On April 7, 2014, the stockholders resolved to approve the amendment of the Seventh Article of the Articles of Incorporation exempting from pre-emptive rights (1) the issuance of 1 billion common shares for properties or assets needed for the business of the Company or for cash to acquire properties or assets needed for the business of the Company or in payment of a debt contracted prior to the issuance of such shares, and (2) the issuance of common shares covered by the Company's Stock Option Plans for members of the management committees of the Company's subsidiaries or affiliates.

Likewise, the stockholders resolved to approve the amendment of the Stock Option Plan of the Company to include the members of the Management Committees of the Company's subsidiaries and affiliates as eligible grantees of stock options.

The rollforward analysis of the outstanding number of common shares follows:

	2015	2014
	(In Thousands)	
At beginning of year	14,190,489	14,173,287
Additional subscriptions	505,142	17,202
At end of year	14,695,631	14,190,489

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Company.



On April 13, 2013, the stockholders resolved to approve the amendment of the Seventh Article of the Company's Articles of Incorporation for the purpose of excluding or exempting treasury shares from the pre-emptive rights of stockholders.

On January 9, 2015, the Executive Committee of the Company approved a top-up placement of 484,848,500 common shares of the Company at a price of ₱33.00 per share. The placement was conducted via an accelerated bookbuilt offering structured as a top-up placement, whereby AC sold 484,848,500 listed common shares of stock to qualified third party buyers and subscribe to the same number of new shares from the Company. The Company completed the placement on January 12, 2015, raising an aggregate of ₱16.0 billion in paid-up capital. The price was at 3.9% discount on the 5-day volume-weighted average price of ALI shares. Transaction cost charged to additional paid-in capital amounted to ₱194.0 million.

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 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 9,525 and 9,927 existing shareholders as of December 31, 2015 and 2014, 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 ₱0.42, ₱0.41 and ₱0.29 per share in 2015, 2014 and 2013, respectively, to all issued and outstanding shares.

On February 20, 2015, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.2075 per share. The cash dividend is payable on March 20, 2015 to stockholders of common shares as of record date.

On August 17, 2015, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.2075 per share. The cash dividend is payable on September 16, 2015 to stockholders of common shares as of record date.

Total dividends for common shares declared during the year amounted to ₱6.1 billion.

On February 20, 2015, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends at the dividend rate of 4.75% per year or ₱0.0047 per share to all issued and outstanding preferred shares payable on June 29, 2015 to stockholders of preferred shares as of record date. Total dividends for common shares declared during the year amounted to ₱62.0 million.

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 2016, 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) Ayala Triangle Garden 2 with product offering for a Triple A HQ Office Building, a 5-Star Hotel and 3-level Retail Podium with gardens and civic spaces which was approved by the Board on May 29, 2015. The project was launched in June 2015 and expected to be completed in 2020.
- b) Ayala Center Redevelopment which will offer intermodal transport facility, a 5-storey regional mall, 2 BPO towers, a SEDA hotel and a 300-units residential for lease was approved by the Board on November 27, 2015. The project was launch in January 2016 and expected to be completed in 2021.



Retained earnings also include undistributed net earnings amounting to ₱38,170.5 million and ₱31,419.4 million as of December 31, 2015 and 2014, 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, 2015 and 2014 amounted to ₱32.8 billion and ₱27.4 billion, respectively.

Equity Reserves

In 2015, the Company purchased additional shares from non-controlling interests of CHI, NTDCC, API (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 (In Thousands)	Difference recognized within Equity
6.66% in CHI	₱649,927	₱434,074	₱215,853
9.42% in NTDCC	778,356	174,770	603,586
1.94% in API	58,157	45,540	12,617
	₱1,486,440	₱654,384	₱832,056

In 2014, the Company acquired additional shares from non-controlling interests of Philenergy (40%), NTDCC (14.53%) and Ceci (0.40%) and were accounted as an equity transaction since there was no change in control (see Note 2).

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).

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, 2015 and 2014, the Group had the following ratios:

	2015	2014
Debt to equity	87.4%	102.3%
Net debt to equity	74.4%	73.8%

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, 2015 and 2014.

Financial risk assessment

The Group's financial condition and operating results would not be materially affected by the current changes in interest, currency, credit, liquidity and market conditions.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Group's ratio of fixed to floating rate debt stood at 84:16 and 74:26 as of December 31, 2015 and 2014, respectively. As a result, any adverse movement in interest rates is mitigated.

Exposure to foreign currency holdings is at US\$39.1 million and US\$24.3 million as of December 31, 2015 and 2014, respectively.

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

Liquidity risk is addressed with long term funding already locked in, while funds are placed on cash equivalents, short term investment and financial assets at FVPL.

21. Real Estate Revenue

This account consists of:

	2015	2014	2013
		(In Thousands)	
Land and residential unit sales	₱66,855,027	₱58,951,882	₱50,573,524
Leasing (Note 13)	18,927,973	16,380,025	13,754,732
Hotels and resorts	6,108,430	5,575,822	4,260,709
Construction	7,271,035	5,015,949	4,377,951
Management and marketing fees	1,498,327	3,103,856	3,370,518
	₱100,660,792	₱89,027,534	₱76,337,434

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:

	2015	2014	2013
		(In Thousands)	
Marketing and management fees	₱481,177	₱619,599	₱333,464
Others - net (Note 25)	201,428	86,396	764,074
	₱682,605	₱705,995	₱1,097,538

Other income mainly consists of gain on sale of waterworks and sewerage facilities (see Note 25). Also included is the gain on sale of equipment and other properties amounting to ₱34.33 million, ₱1.10 million and ₱589.10 million in 2015, 2014 and 2013, respectively. It also includes the financial impact of net foreign exchange transactions amounting to ₱191.00 million loss, ₱31.8 million loss and ₱369.1 million loss in 2015, 2014 and 2013, respectively. It also includes



reversal of impairment losses amounting to ₱11.6, nil and ₱1.3 million in 2015, 2014 and 2013, respectively (see Note 7).

Real estate costs and expenses consist of:

	2015	2014	2013
		(In Thousands)	
Cost of real estate sales (Note 8)	₱41,658,262	₱37,006,245	₱29,649,634
Depreciation and amortization	4,109,023	4,019,302	3,180,835
Marketing and management fees	3,804,804	3,393,053	2,601,995
Hotels and resorts operations	3,896,289	3,705,636	3,195,851
Materials and overhead	1,945,071	1,569,860	852,987
Rental	1,511,182	1,152,902	1,593,726
Manpower costs	1,078,310	887,113	1,791,747
Direct operating expenses:			
Taxes and licenses	2,183,142	1,732,634	1,435,457
Light and water	1,709,891	1,537,749	2,955,303
Repairs and maintenance	929,482	882,413	758,653
Commission	761,387	503,294	105,974
Professional fees	624,122	1,694,840	1,265,546
Insurance	199,282	137,221	114,467
Transportation and travel	133,613	77,164	110,368
Entertainment, amusement and recreation	80,576	119,582	17,870
Others	710,624	976,605	2,208,773
	₱65,335,060	₱59,395,613	₱51,839,186

General and administrative expenses consist of:

	2015	2014	2013
		(In Thousands)	
Manpower costs (Notes 26 and 28)	₱3,865,244	₱3,500,362	₱3,631,365
Taxes and licenses	500,384	468,740	325,581
Depreciation and amortization	425,964	467,925	304,350
Professional fees	250,524	481,099	284,698
Utilities	193,590	271,010	194,418
Training and seminars	185,227	45,899	38,687
Repairs and maintenance	166,129	155,778	116,877
Rent	132,861	134,202	123,509
Donations and contribution (Note 32)	126,016	26,989	316,650
Transport and travel	105,841	122,600	122,382
Advertising	75,075	87,505	77,079
Insurance	74,176	100,793	74,183
Supplies	63,440	49,739	39,767
Security and janitorial	46,430	109,154	47,317
Dues and fees	40,400	39,894	25,525
Entertainment, amusement and recreation	39,326	30,252	25,336
Others	301,328	111,192	181,612
	₱6,591,955	₱6,203,133	₱5,929,336



Manpower costs included in the consolidated statements of income follows:

	2015	2014	2013
	(In Thousands)		
Real estate costs and expenses			
Cost of real estate	₱1,013,310	₱869,304	₱1,791,747
Hotels and resorts operations	65,000	17,809	382,232
General and administrative expenses	3,865,244	3,500,362	3,631,365
	₱4,943,554	₱4,387,475	₱5,805,344

Depreciation and amortization expense included in the consolidated statements of income follows:

	2015	2014	2013
	(In Thousands)		
Real estate costs and expenses:			
Cost of real estate	₱4,109,023	₱4,019,302	₱3,180,835
Hotels and resorts operations	534,608	503,238	413,216
General and administrative expenses	425,964	467,925	304,350
	₱5,069,595	₱4,990,465	₱3,898,401

Interest and other financing charges consist of:

	2015	2014	2013
	(In Thousands)		
Interest expense on:			
Long-term debt	₱5,272,074	₱4,620,725	₱2,919,498
Short-term debt	959,644	574,398	815,954
Other financing charges	274,543	170,593	380,103
	₱6,506,261	₱5,365,716	₱4,115,555

Other charges consist of:

	2015	2014	2013
	(In Thousands)		
Provision for impairment losses on:			
Land and Improvement (Note 11)	₱196,568	₱-	₱-
Receivables (Note 7)	187,628	139,627	172,678
Inventories (Note 8)	82,634	-	-
AFS financial asset (Note 10)	28,048	-	-
Other current assets (Note 9)	-	-	276,129
Provisions, write-offs and other charges	503,982	236,170	230,123
	₱998,860	₱375,797	₱678,930



23. Income Tax

Net deferred tax assets:

	2015	2014
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	₱5,334,046	₱4,054,553
Accrued expenses	1,447,361	1,198,640
Allowance for probable losses	1,192,218	1,051,452
Retirement benefits	358,923	316,745
Unrealized foreign exchange losses	63,012	47,028
Advanced rentals	4,620	130,745
Outstanding share-based payments	–	62,794
Others	52,133	155,716
	8,452,313	7,017,673
Deferred tax liabilities on:		
Capitalized interest and other expenses	(532,862)	(557,149)
Unrealized foreign exchange gain	–	(2,305)
Others	(7,817)	(847)
	(540,679)	(560,301)
	₱7,911,634	₱6,457,372

Net deferred tax liabilities:

	2015	2014
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	₱298,848	₱131,721
NOLCO	189,630	42,006
Allowance for probable losses	89,213	71,020
Unrealized foreign exchange loss	27,662	21,230
Retirement benefits	26,106	38,937
Advanced rentals	8,849	4,640
Others	21,569	27,184
	661,877	336,738
Deferred tax liabilities on:		
Difference between tax and book basis of accounting for real estate transactions	(1,423,376)	(1,258,928)
Fair value adjustment arising from business combination	(839,096)	(839,096)
Prepaid expenses	(120,321)	(134,665)
Capitalized interest and other expenses	(64,450)	(63,801)
Unrealized foreign exchange gain	4,494	(4,141)
Others	(1,189)	(3,236)
	(2,443,938)	(2,303,867)
	(₱1,782,061)	(₱1,967,129)

Certain subsidiaries of the Company have NOLCO amounting to ₱930.6 million and ₱410.0 million as of December 31, 2015 and 2014, respectively and MCIT amounting to ₱1.9 million and ₱2.6 million as of December 31, 2015 and 2014, 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, 2015, total unrecognized NOLCO and MCIT amounted to ₱295.4 million and ₱0.4 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 (In Thousands)	Balance	Expiry Year
2012	₱52,219	₱52,219	₱-	2015
2013	104,137	1,093	103,044	2016
2014	238,738	19	238,719	2017
2015	609,013	20,189	588,824	2018
	₱1,004,107	₱73,520	₱930,587	

MCIT:

Year Incurred	Amount	Used/Expired (In Thousands)	Balance	Expiry Year
2012	₱-	₱-	₱-	2015
2013	537	444	93	2016
2014	1,429	1,306	123	2017
2015	1,835	141	1,694	2018
	₱3,801	₱1,891	₱1,910	

Reconciliation between the statutory and the effective income tax rates follows:

	2015	2014	2013
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effect of:			
Interest income subject to final tax, income under tax holiday and other nontaxable income (Note 31)	(2.32)	(1.53)	(1.22)
Equity in net earnings of associates and joint ventures	(1.98)	(1.32)	(1.55)
Interest income and capital gains taxed at lower rates	(0.41)	(1.14)	(1.06)
Others – net	(0.59)	(0.26)	(1.62)
Effective income tax rate	24.70%	25.75%	24.55%

Board of Investments (BOI) Incentives

Ecosouth Hotel Ventures, Inc

On April 1, 2014, the Board of Investment issued in favor of Ecosouth Hotel Ventures, Inc. (EHVI) a Certificate of Registration as a New Operator of Tourist Accommodation Facility on a non-pioneer status for its project in Seda Nuvali, Laguna. Under the terms of the registration and subject to certain requirements, EHVI is entitled to income tax holiday for a period of four (4) years from June 2014 or actual start of commercial operations, whichever is earlier.

Sentera Hotel Ventures, Inc.

On September 11, 2015, the Board of Investment issued in favor of Sentera Hotel Ventures, Inc. a Certificate of Registration as a New Operator of Tourist Accommodation Facility/ Tourist Inn on a non-pioneer status for its project in Seda Atria Hotel, Iloilo City. Under the terms of the registration and subject to certain requirements, Sentera Hotel Ventures, Inc. is entitled to income tax holiday for a period of four (4) years from December 2015 or actual start of commercial operations, whichever is earlier.



BellaVita

The Board of Investments issued Certificates of Registration as a New Developer of Low -Cost Mass Housing Project on a Non-Pioneer Status under the Omnibus Investments Code of 1987 for the Company's projects in Porac, Pampanga and San Pablo, Laguna on May 15, 2015 and September 17, 2015, respectively. Pursuant thereto, the projects have been granted an income tax holiday for a maximum period of four (4) years from the date of registration.

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 February 11, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Urdaneta, Barangay Catablan, Urdaneta City Pangasinan. Pursuant thereto, project has been granted an Income Tax Holiday for a period of four (4) years commencing from February 2015.

On February 11, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Steps Nuvali, Barangay Canlubang, Calamba City Laguna. Pursuant thereto, project has been granted an Income Tax Holiday for a period of three (3) years commencing from February 2015.

On March 11, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Pampanga, Amaia Scapes San Fernando S1-A and Amaia Scapes Trece S1. The projects are located at Barangay Sapang Maisac, Mexico, Pampanga; Calulut, San Fernando City, Pampanga and Barangay Conchu, Trece Martires City, Cavite respectively. These projects have been granted an Income Tax Holiday for a period of four (4) years commencing from March 2015.

On March 11, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Skies Shaw T1, Shaw Boulevard corner Samat Street, Barangay Highway Hills, Mandaluyong City. Pursuant thereto, project has been granted an Income Tax Holiday for a period of three (3) years commencing from March 2015.

On May 21, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Batangas and Amaia Scapes Cabuyao S1. The projects are located at Barangay Anilao-Labac, Lipa City Batangas and Barangay Marinig, Cabuyao, Laguna respectively. These projects have been granted an Income Tax Holiday for a period of four (4) years commencing from May 2015.

On June 4, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Camsur S1, Barangay Palestina, Pili Camarines Sur. Pursuant thereto, project has been granted an Income Tax Holiday for a period of four (4) years commencing from June 2015.

On June 18, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Bauan S1, Amaia Scapes Bulacan S1, Amaia Gen. Trias S1 and Amaia Scapes Lucena. The projects are located at Barangay As-Is, Bauan Batangas; Barangay Sta. Cruz, Sta. Maria Bulacan; Arnaldo Highway,



Barangay Santiago, General Trias Cavite and Barangay Canlurang Isabang and Ilayang-Talim, Lucena City Quezon respectively. These projects have been granted an Income Tax Holiday for a period of four (4) years commencing from June 2015.

On July 20, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Steps Pasig 1B, Eusebio Avenue, Brgy. San Miguel, Pasig City. Pursuant thereto, project has been granted an Income Tax Holiday for a period of three (3) years commencing from July 2015.

On July 21, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Series Novaliches, Susano Road, Brgy. San Agustin, Novaliches, Quezon City. Pursuant thereto, project has been granted an Income Tax Holiday for a period of three (3) years commencing from July 2015.

On July 23, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Gen. Trias S2, Barangay Santiago, General Trias Cavite. Pursuant thereto, project has been granted an Income Tax Holiday for a period of four (4) years commencing from July 2015.

On July 24, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Steps Altaraza Bldg A, Tungkong Mangga, City of San Jose Del Monte, Bulacan. Pursuant thereto, project has been granted an Income Tax Holiday for a period of three (3) years commencing from July 2015.

On August 10, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes San Pablo S1, Barangay San Roque, San Pablo City, Laguna. Pursuant thereto, project has been granted an Income Tax Holiday for a period of four (4) years commencing from August 2015.

On August 19, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Steps Nuvali Parkway, Brgy. Canlubang, Calamba City, Laguna. Pursuant thereto, project has been granted an Income Tax Holiday for a period of three (3) years commencing from August 2015.

On August 24, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes CDO S1, Barangay Bulua, Cagayan de Oro City. Pursuant thereto, project has been granted an Income Tax Holiday for a period of four (4) years commencing from August 2015.

On November 24, 2015, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Cabuyao S2, Barangay Sala, Cabuyao Laguna. Pursuant thereto, project has been granted an Income Tax Holiday for a period of four (4) years commencing from November 2015.

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 Matabang, 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 April 30, 2015, the BOI issued in favor of Avida a Certificate of Registration as a new Developer of Low-Cost Mass Housing Project for Avida Towers Altura Tower 2, National Road, Brgy. Alabang, Muntinlupa 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 three (3) years commencing from May 2015.

On April 30, 2015, the BOI issued in favor of Avida a Certificate of Registration as a new Developer of Low-Cost Mass Housing Project for Avida Towers Asten Tower 2, Malugay St., San Antonio Village, Makati 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 three (3) years commencing from May 2015.



On June 16, 2015, the BOI issued in favor of Avida a Certificate of Registration as a new Developer of Low-Cost Mass Housing Project for, Serin East Tagaytay Tower 1, Brgy. Silang Crossing East, Tagaytay City Cavite 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 July 2015.

On June 16, 2015, the BOI issued in favor of Avida a Certificate of Registration as a new Developer of Low-Cost Mass Housing Project for, Avida Towers Atria Tower 2, Brgy. San Rafael, Mandurriao, Iloilo 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 three (3) years commencing from July 2015.

On September 4, 2015, the BOI issued in favor of Avida a Certificate of Registration as a new Developer of Low-Cost Mass Housing Project for, Avida Towers Prime Taft Tower 3, Brgy. 37, Zone 03, Taft Avenue, Pasay 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 three (3) years commencing from September 2015.

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.

SDC

On July 29, 2015, the BOI issued in favor of Southgateway Development Corporation a Certificate of Registration as a new Developer of Low-Cost Mass Housing Project for Avida Towers Cloverleaf Tower 1, A. Bonifacio Avenue, Brgy. Balingasa, Quezon 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 three (3) years commencing from July 2015.



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.

MDC Build Plus, Inc.

In accordance with the Omnibus Investments Code of 1987, the BOI approved the MDC Build Plus Inc.'s registration as a New Producer of Roof/ Framing System. The production facility is located at 2265 Warehouse, Bldg. 3, Paliparan I, Paliparan Road, Dasmariñas, Cavite. Pursuant thereto, the roof production has been granted an Income Tax Holiday for a period of 4 years commencing from September 2013.

MDC Concrete, Inc.

In accordance with Executive Order 226 otherwise known as Omnibus Investments Code of 1987 as amended, the BOI approved the MDC Concrete Inc.'s registration as a New Domestic Producer of Modular Housing Components (Precast Concrete Wall, Floor/Slab and stairs system) under the 2014 IPP on a non-Pioneer status. The project has been granted an income tax holiday for a period of 4 years commencing November 10, 2015. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum period of 10 years from the start of commercial operation and/or date of registration.

24. Business Combinations and Acquisition of Non-controlling Interests

Business Combinations

ALO Prime Realty Corporation (formerly, Aegis PeopleSupport Realty Corporation)

On April 8, 2015, the Company purchased all of the 8,200,000 common shares of Equinox Technoparks Ltd, Inc. in Aegis PeopleSupport Realty Corporation (APRC) for a total consideration of ₱513.68 million. APRC, which is a PEZA-registered entity, owns the Aegis building along Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 square meters and is largely occupied by Teleperformance under a long-term lease.

On April 14, 2015, the BOD approved the change of its corporate name to ALO Prime Realty Corporation. On July 9, 2015, the amended Articles of Incorporation was executed and subsequently approved by SEC on July 15, 2015.



The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. The following are the preliminary fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash	₱15,580
Trade and other receivables	305,070
Other current assets	5,740
Investment properties (Note 13)	1,584,929
Other noncurrent assets	4,095
	<hr/> 1,915,414
Liabilities	
Accounts and other payables	1,336,692
Deposits and other noncurrent liabilities	56,962
Deferred tax liabilities	8,083
	<hr/> 1,401,737
Total net assets acquired	513,677
Acquisition cost	513,677
Goodwill	<hr/> ₱—

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 April 8 to December 31, 2015, the Group's share in APRC's revenue and net income amounted to ₱141.1 million and ₱72.3 million, respectively. If the combination had taken place at the beginning of 2015, the Group's share in APRC's total revenue and net income would have been ₱189.8 million and ₱94.8 million, respectively.

Island Transvoyager, Inc.

On December 1, 2015, ALI Capital Corp. (formerly Varejo Corp.), a wholly owned subsidiary of the Company, acquired 100% interest in Island Transvoyager, Inc. (ITI) following the purchase of all outstanding shares from existing shareholders, in the amount of ₱15.0 million.

ITI was incorporated on October 2, 2002 with the primary purpose of carrying on the general business of a common carrier and/or private carrier. It was granted the Air Carrier Operating Certificate by the Air Transportation Office to enable it to operate as a scheduled domestic air transportation service provider.

ITI is the only airline commercially flying from Manila to Lio in El Nido, Palawan. On November 26, 2015, ITI launched "AirSwift" as its new brand and introduced its new Cebu-El Nido-Cebu route. As of end-2015, it currently operates a fleet of two (2) ATR 42-500 that can seat a maximum of 50 passengers each, and operates 3x-4x daily flights to El Nido. It is also expected to be a key player in the industry as it flies to more tourism destinations not serviced by the bigger commercial airlines.

If the combination had taken place at the beginning of 2015, the Group's share in ITI's total revenue and net income would have been ₱434.80 million and ₱0.19 million, respectively.

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
	<hr/> 9,601,000
Liabilities	
Accounts and other payables	2,162,000
Loans payable	3,594,000
Deferred tax liabilities	633,698
	<hr/> 6,389,698
Total net assets acquired	3,211,302
Acquisition cost	3,199,432
Negative goodwill	<hr/> <hr/> ₱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
	<hr/> 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
	<hr/> 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	<hr/> ₱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 resulted to an increase in the Company's ownership in NTDCC from 49.29% to 63.82% of the total outstanding capital stock of NTDCC.

On February 6, 2015, ALI purchased the remaining interest of Anglo Philippine Holdings Corporation (Anglo) in North Triangle Depot Commercial Corporation (NTDCC) consisting of 382,072 common shares and 1,605,169 preferred shares amounting to ₱523.0 million. The transaction brings ALI's ownership from 63.82% to 70.36% of the total outstanding capital stock of NTDCC.

Then, the group purchased the combined remaining interest of Allante Realty and Development Corporation (Allante) and DBH, Inc. (DBH) in North Triangle Depot Commercial Corporation (NTDCC) consisting of 167,548 common shares and 703,904 preferred shares amounting to ₱229.0 million which brought ALI's ownership in NTDCC from 70.36% to 73.24% of the total outstanding capital stock of NTDCC. This acquisition is aligned with ALI's thrust of expanding its leasing business.

PhilEnergy

Ayala Land, Inc. acquired MC's 40% minority interest in PhilEnergy which increased its ownership to 100%. The transaction resulted to an immaterial equity reserves balance as its total investment cost of ₱322.3 million approximates the par value of the shares plus 40% of PhilEnergy's audited retained earnings as of December 31, 2013.



25. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

Terms and Conditions of Transactions with Related Parties

In its regular conduct of business, the Group has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements.

Transactions with related parties are made at normal market prices. There have been no guarantees provided or received for any related party receivables or payables. The Group does not provide any allowance relating to receivable from related parties. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year (in thousands):

a. Transactions with Bank of the Philippine Islands (BPI), an associate of AC

As of December 31, 2015 and 2014, the Group maintains current and savings account, money market placements and long-term debt payable with BPI broken down as follows:

	2015	2014
	(In Thousands)	
Cash in bank	₱6,028,795	₱13,355,222
Cash equivalents	6,983,653	5,939,002
Investment in FVPL	288,229	5,607,838
Short term debt	1,669,000	—
Long-term debt	12,522,323	14,499,553

b. Outstanding balances from/to related parties follow (amounts in thousands):

2015

	Receivable from related parties			Payable to related parties		
	Current	Noncurrent	Total	Current	Noncurrent	Total
Parent Company	₱156,157	₱—	₱156,157	₱77,773	₱—	₱77,773
Associates	122,268	—	147,648	249,480	—	249,480
Other related parties:						
Globe Telecom (Globe)	547,331	—	547,331	396	—	396
BPI	113,300	—	113,300	5,223	—	5,223
FBDC	38,207	—	38,207	47,403	—	47,403
Columbus	—	—	—	267,355	—	267,355
Others	35,322	—	35,322	15,232	—	15,232
	734,160	—	193,671	335,609	—	335,609
	₱1,012,585	₱—	₱1,012,585	₱662,862	₱—	₱662,862



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	—	212,697
Other related parties:						
Columbus	888,953	—	888,953	1,156,308	—	1,156,308
FBDC	394,026	—	394,026	403,297	—	403,297
Globe	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	₱—	₱1,895,085

c. Income and expenses from related parties follow:

Revenue from related parties:

	2015	2014	2013
		(In Thousands)	
Parent Company	₱3,934	₱501,339	₱62,090
Associate	44,128	49,135	41,143
Other Related Parties			
BPI	189,584	297,767	162,859
Psi Technologies	115,087	—	—
FBDC	75,282	176,195	221,483
Globe	46,062	75,044	51,802
Laguna AA Waterworks Corp. (LAWC)	1,500	1,500	625,000
Manila Water Company, Inc. (MWCI)	918	883	1,351
6750 Ayala Avenue JV	—	17,697	46,511
Others	13,382	13,057	45,506
	441,815	582,143	1,154,512
Total	₱489,877	₱1,132,617	₱1,257,745

Expenses from related parties:

	2015	2014	2013
		(In Thousands)	
Parent Company	₱575,303	₱445,623	₱56,781
Associate	725,139	1,315	—
Other Related Parties			
AG Counselors Corp.	166,811	154,587	150,080
MWCI	157,937	195,435	145,313
FBDC	155,598	155,099	129,175
BPI	96,931	20,781	6,617
BPI Securities Corp.	90,560	—	—
Globe	49,318	44,392	29,618
Innovate Communications, Inc.	30,930	35,200	37,890
Ayala Life Assurance, Inc.	—	248,219	—
Others	20,387	43,520	36,174
	768,472	897,233	534,867
Total	₱2,068,914	₱1,344,171	₱591,648



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, 2015 and 2014:

- In July 2015, Avida entered into a contract with AC for the purchase of land in San Antonio, Makati City with the purchase price amounted to ₱644.1 million, inclusive of VAT. Payments were made in two tranches, with the first one in July amounting to ₱471.6 million (inclusive of VAT & CWT) and the balance of ₱172.5 million in October 2015.
- 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.
- Certain credit facilities with BPI with a total carrying value of ₱14,233 million and ₱14,361 million as of December 31, 2015 and 2014, respectively, are secured by a real estate mortgage. This is in compliance with BSP ruling on directors, officers, stockholders and related interests,
- 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, 2015 and 2014, the balance of such advances amounted to nil and ₱78.3 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, 2015 and 2014, the payable to AC is still amounting to nil and ₱29.8 million respectively.
- In 2013, LTI sold waterworks property to LAWC, a subsidiary of MWCI (through AC). Total selling price amounted to ₱625.0 million resulting to a gain of ₱539.1 million.
- 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 was completed 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 BG South. Outstanding payable amounts to ₱23.9 million and ₱403.2 million as of December 31, 2015 and 2014, respectively.
- 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.
- Revenue from Globe pertains to development management fee and for lease of spaces.



Compensation of key management personnel by benefit type follows:

	2015	2014
	(In Thousands)	
Short-term employee benefits	P140,826	P134,261
Post-employment benefits (Note 26)	17,774	25,751
Share-based payments (Note 28)	–	636
	P158,600	P160,648

26. Retirement Plan

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans (the Plan) covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Plan aims to maintain a full funding, i.e., the Plan's assets fully covered the Plan's liabilities, as measured through generally accepted actuarial methodologies. Such will provide a higher level of assurance that all promised benefits can be paid from existing assets and expected investment returns. The target funded status is within the range of 80% to 100%.

The Group's fund is in the form of a trust fund being maintained by trustee banks such as BPI Asset Management and Trust Group and Deutsche Bank (collectively the "Retirement Fund"). The primary objective of the Retirement Fund is to achieve the highest total rate of return possible, consistent with a prudent level of risk. The investment strategy articulated in the asset allocation policy has been developed in the context of long-term capital market expectations, as well as multi-year projections of actuarial liabilities. Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follows:

	2015	2014	2013
	(In Thousands)		
Current service cost	P309,459	P410,462	P280,867
Past service cost	519	6,903	644
Net interest cost on benefit obligation	59,893	30,365	26,685
Total pension expense	P369,871	P447,730	P308,196

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:

	2015	2014	2013
	(In Thousands)		
Return gain (loss) on plan assets (excluding amount included in net interest)	P19,383	(P28,280)	P22,128
Actuarial (gain) loss due to liability experience	208,473	46,810	151,572
Actuarial loss due to liability assumption changes – demographic	235	51,593	–
Actuarial loss due to liability assumption changes – economic	(427,955)	–	216,946
Remeasurements in other comprehensive income (loss)	(P199,864)	P70,123	P390,646



The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31, 2015 and 2014, are as follows:

	2015	2014
	(In Thousands)	
Benefit obligations	₱3,547,234	₱3,750,189
Plan assets	(2,109,193)	(2,189,026)
Net pension liability position	₱1,438,041	₱1,561,163

As of December 31, 2015 and 2014 pension assets (included under “other noncurrent assets”) amounted to ₱64.2 million and ₱19.1 million, respectively, and pension liabilities amounted to ₱1,502.2 million and ₱1,580.2 million, respectively.



Changes in net defined benefit liability of funded funds in 2015 are as follows (in thousands):

	Net benefit cost in consolidated statement of income					Remeasurements in other comprehensive income									
	January 1, 2015	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 assumption changes - demographic	Actuarial (gain)/loss due to liability assumption changes - economic	Net remeasure-ment loss	Contribution by employer	Transfer in /(out)	Settlements	December 31, 2015
Present value of defined benefit obligation	₱3,750,189	₱309,459	₱519	₱79,590	₱389,568	(₱306,948)	₱-	₱208,473	₱235	(₱427,955)	(₱219,247)	₱-	(₱66,328)	₱-	₱3,547,234
Fair value of plan assets	(2,189,026)	-	-	(19,697)	(19,697)	294,094	19,383	-	-	-	19,383	(212,197)	(1,750)	-	(2,109,193)
Net defined benefit liability (asset)	₱1,561,163	₱309,459	₱519	₱59,893	₱369,871	(12,854)	₱19,383	₱208,473	₱235	(₱427,955)	(₱199,864)	(₱212,197)	(₱68,078)	₱-	₱1,438,041

*excluding amount included in net interest

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 assumption changes - demographic	Actuarial (gain)/loss due to liability assumption changes - economic	Net remeasure-ment 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)	260,550	(28,280)	-	-	-	(28,280)	(78,097)	(6,402)	173	(2,189,026)
Net defined benefit liability (asset)	₱1,142,070	₱410,462	₱6,903	₱30,365	₱447,730	(₱14,261)	(₱28,280)	₱46,810	₱51,593	₱-	₱70,123	(₱78,097)	(₱6,402)	₱-	₱1,561,163

*excluding amount included in net interest



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	
	2015	2014
	(In Thousands)	
Cash and cash equivalents	₱116,805	₱70,998
Equity investments		
Financials	14,210	50,295
Industrials	40,691	31,130
Holding Firms	136,110	211,073
Property	15,622	57,069
Services	21,186	59,074
Mining and Oil	5,245	4,101
Unit Investment Trust Funds	136,250	148,870
Mutual Funds	90,856	218,990
	460,170	780,602
Debt investments		
Government securities	683,199	650,702
AAA rated debt securities	462,808	238,295
Not rated debt securities	316,879	444,757
	1,462,886	1,333,754
Other assets (liabilities)	69,332	3,672
	₱2,109,193	₱2,189,026

The Retirement Fund's investments will be appropriately diversified to control overall risk and will exhibit portfolio characteristics similar to the set benchmark for each asset class. In case of securities, the aggregate holdings of any security may not exceed 10% of the Plan assets. The criteria for including an asset class in the strategic policy include: (a) wide recognition and acceptance among institutional investors; (b) low correlation with other accepted asset classes; and (c) a meaningful performance history. The Group expects to make contributions of ₱394.4 million to its retirement fund in 2015.

The allocation of the fair value of plan assets follows:

	2015	2014
Investments in debt securities	69.36%	60.93%
Investments in equity securities	21.82%	35.66%
Others	8.82%	3.41%

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, 2015 and 2014, the funds include investment in securities to its related parties. Details of the investment per type of security are as follows:

	December 31, 2015			December 31, 2014
	Carrying Value	Fair Value	Unrealized (Gain) Loss	Fair Value
	(In Thousands)			
Investments in debt securities	₱134,388	₱133,839	₱548	₱111,447
Investments in equity securities	184,983	195,120	(10,136)	161,764
Others	132,771	136,237	(3,466)	127,019
	₱452,142	₱465,196	(₱13,054)	₱400,230

The plan assets include shares of stock of the Company with fair value amounting to ₱7.5 million, and ₱34.1 million as of December 31, 2015 and 2014, 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 ₱73.1 million and ₱55.6 million as of December 31, 2015 and 2014, respectively. The gains of the fund arising from investments in debt and equity securities of the Company amounted to ₱0.2 million and ₱2.9 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:

	2015	2014
Discount rates	4.5 to 5.3%	4.0 to 5.0%
Future salary increases	3.0 to 8.0%	5.0 to 8.0%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

2015

Change in basis points	Effect on income before income tax Increase (decrease)	
	+ 100 basis points	- 100 basis points
	(In Thousands)	
Discount rate	(₱207,098)	₱236,070
Salary increase rate	231,851	(188,779)

2014

Change in basis points	Effect on income before income tax Increase (decrease)	
	+ 100 basis points	- 100 basis points
	(In Thousands)	
Discount rate	(₱313,272)	₱367,711
Salary increase rate	358,054	(311,474)



Shown below is the maturity analysis of the undiscounted benefit payments:

Year ending:	2015	2014
	(In Thousands)	
December 31, 2015	₱-	₱429,581
December 31, 2016	262,555	253,861
December 31, 2017	209,179	222,900
December 31, 2018	194,301	225,801
December 31, 2019 through December 31, 2025	2,682,757	2,723,693

The average duration of the defined benefit obligation is 9.3 to 27.1 years and 71.1 to 26.8 years in 2015 and 2014, respectively.

27. Earnings Per Share

The following tables present information necessary to compute EPS (amounts in thousands except EPS):

EPS on net income attributable to equity holders of the Company are as follows:

	2015	2014
	(In Thousands)	
Net income attributable to equity holders of the Company	₱17,630,275	₱14,802,642
Dividends on preferred stock	(62,038)	(62,038)
Net income attributable to equity holders for basic and diluted earnings per share	₱17,568,237	₱14,740,604
Weighted average number of common shares for basic EPS	14,580,415	14,074,173
Dilutive shares arising from stock options	2,692	4,832
Adjusted weighted average number of common shares for diluted EPS	14,583,107	14,079,005
Basic EPS	₱1.20	₱1.05
Diluted EPS	₱1.20	₱1.05

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.

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:

PFRS 2 Options

	2015	Weighted average exercise price	2014	Weighted average exercise price
At January 1	2,858,360	₱5.63	10,377,981	₱4.58
Exercised	(2,858,360)	5.63	(5,624,981)	4.26
Cancelled	-	-	(1,894,640)	-
At December 31	-	₱-	2,858,360	₱5.63

The options exercised had a weighted average exercise price of ₱5.63 per share or ₱16.09 million in 2015, and ₱4.26 per share or ₱23.96 million in 2014.

The average fair market value of the shares at the exercise date was ₱36.53 per share or about ₱104.4 million in 2015 and ₱31.46 per share or about ₱177.0 million in 2014.

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:

	2015	WAEP	2014	WAEP
At January 1	12,279,280	₱15.61	12,683,257	₱14.19
Granted	14,632,157		12,640,541	
Subscribed	(17,856,271)	26.16	(12,330,426)	21.10
Cancelled availment	727,385		279,632	
Cancelled	(1,048,131)		(993,724)	
At December 31	8,734,420	₱16.96	12,279,280	₱15.61

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, 2015	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	₱16.03	₱12.60	₱12.07	₱6.23	₱7.27	₱8.88
Weighted average share price	₱36.53	₱31.46	₱30.00	₱21.98	₱15.5	₱13.00
Exercise price	₱29.58	₱22.55	₱21.45	₱14.69	₱13.2	₱9.74
Expected volatility	31.99%	33.50%	36.25%	33.00%	36.25%	43.57%
Dividend yield	1.02%	1.42%	1.93%	0.9%	1.01%	0.48%
Interest rate	4.11%	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 2015, 2014 and 2013 in the consolidated statements of income arising from share-based payments amounted to ₱213.6 million, ₱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, 2015 and 2014:

	December 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In Thousands)				
Loans and Receivables				
Trade residential and office development	₱65,809,994	₱67,103,996	₱51,345,735	₱51,891,790
Investment in bonds classified as loans and receivables	258,000	264,973	450,000	463,407
Receivable from employees	711,608	712,685	431,916	432,071
	₱66,779,602	₱68,081,654	₱52,227,651	₱52,787,268
Other Financial Liabilities				
Long-term debt	₱120,509,853	₱120,150,140	₱108,363,357	₱109,847,007
Deposits and other noncurrent liabilities	15,258,921	15,224,116	18,187,240	18,177,888
	₱135,768,774	₱135,374,256	₱126,550,597	₱128,024,895

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, 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 1.40% to 5.47% and 3.54% to 6.17% as of December 31, 2015 and 2014.

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 1.05% to 7.75% and 3.88% to 6.48% as of December 31, 2015 and 2014, 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, 2015, 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, 2015. 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 ₱149.6 million and ₱523.3 million as of December 31, 2015, and 2014, respectively were classified under Level 1 (see Note 10).

Unquoted AFS financial assets amounting to ₱350.8 million and ₱261.1 million as of December 31, 2015 and 2014, respectively were classified under Level 3 (see Note 10).

There have been no reclassifications from Level 1 to Level 2 categories in December 31, 2015 and 2014.

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 2015 and 2014.

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, 2015 and 2014 based on contractual undiscounted payments:

December 31, 2015

	< 1 year	>1 to < 5 years	> 5 years	Total
	(In Thousands)			
Accounts and other payables	₱109,520,565	₱—	₱—	₱109,520,565
Short-term debt	10,486,258	—	—	10,486,258
Long-term debt	8,808,779	41,584,190	70,554,897	120,947,866
Deposits and other noncurrent liabilities	4,435,146	10,340,631	483,144	15,258,921
	₱133,250,748	₱51,924,821	₱71,038,041	₱256,213,610
Interest payable*	₱6,472,057	₱22,956,647	₱7,875,578	₱37,304,282

*includes future interest payment

December 31, 2014

	< 1 year	>1 to < 5 years	> 5 years	Total
	(In Thousands)			
Accounts and other payables	₱93,934,717	₱—	₱—	₱93,934,717
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
	₱115,316,378	₱56,626,336	₱65,279,178	₱237,221,892
Interest payable*	₱5,637,506	₱17,816,002	₱11,539,383	₱34,992,891

*includes future interest payment

Cash and cash equivalents, short-term investments and financial assets at FVPL 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. As of December 31, 2015 and 2014, undrawn loan commitments from long-term credit facilities amounted to ₱1,221.5 million and ₱1,110.0 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, 2015 and 2014 is equal to the carrying values of its financial assets, except for the following:

December 31, 2015

	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 and office	₱65,833,104	₱126,923,999	₱—	₱65,833,104
Shopping center	2,124,332	3,541,389	—	2,124,332
Corporate business	1,113,385	624,374	489,011	624,374
Receivables from employees	711,608	396,250	315,358	396,250
	₱69,782,429	₱131,486,012	₱804,369	₱68,978,060



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 and office	P51,368,845	P70,617,811	P—	P51,368,845
Shopping center	1,963,423	3,392,589	—	1,963,423
Corporate business	1,829,497	1,609,140	220,357	1,609,140
Receivables from employees	431,916	325,334	106,582	325,334
	P55,593,681	P75,944,874	P326,939	P55,266,742

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



As of December 31, 2015 and 2014, the aging analysis of past due but not impaired trade receivables presented per class, follow:

December 31, 2015

	Neither Past Due nor Impaired	Past Due but not Impaired					Individually Impaired	Total	
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total		
		(In Thousands)							
Trade:									
Residential and office development	P57,005,542	P2,174,025	P1,385,986	P813,068	P850,492	P3,580,881	P8,804,452	P9,555	P65,819,549
Construction contracts	1,765,635	455,909	137,499	12,242	14,964	204,041	824,655	45,297	2,635,587
Shopping centers	904,382	193,712	135,649	43,294	68,115	369,950	810,720	217,217	1,932,319
Corporate business	644,973	108,858	29,804	75,790	20,376	188,696	423,524	44,888	1,113,385
Management fees	96,830	710	6,134	2,246	2,585	5,132	16,807	2,614	116,251
Others	996,777	68,674	14,418	19,362	5,594	54,814	162,862	53,890	1,213,529
Accrued receivables	2,192,231	271,410	479,557	15	10	219,025	970,017	–	3,162,248
Related parties	916,195	50	80,104	5,840	700	9,696	96,390	–	1,012,585
Receivables from employees	711,608	–	–	–	–	–	–	–	711,608
Investment in bonds classified as loans and receivables	258,000	–	–	–	–	–	–	–	258,000
	P65,492,173	P3,273,348	P2,269,151	P971,857	P962,836	P4,632,235	P12,109,427	P373,461	P77,975,061

December 31, 2014

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total	
		<30 days	30-60 days	61-90 days	91-120 days	>120 days	Total			
		(In Thousands)								
Trade:										
Residential and office development	P49,392,747	P265,569	P299,400	P199,569	P352,927	P835,523	P1,952,988	P9,555	P51,355,290	
Construction contracts	2,136,392	—	—	—	—	—	—	45,297	2,181,689	
Shopping centers	1,078,504	99,224	106,572	72,468	40,724	266,279	585,267	171,903	1,835,674	
Corporate business	1,366,548	50,296	74,366	58,150	19,872	260,265	462,949	—	1,829,497	
Management fees	122,472	—	2,988	3,784	3,541	3,325	13,638	2,614	138,724	
Others	160,789	78,537	30,763	13,027	775	72,410	195,512	48,380	404,681	
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	
	P58,921,237	P577,660	P533,116	P393,271	P424,733	P1,558,092	P3,486,872	P277,749	P62,685,858	



The table below shows the credit quality of the Company's financial assets as of December 31, 2015 and 2014:

December 31, 2015

	Neither Past Due nor Impaired				Total	Past Due but not Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Unrated				
	(In Thousands)							
Cash and cash equivalents (excluding cash on hand)	P19,031,621	P—	P—	P—	P19,031,621	P—	P—	P19,031,621
Short-term investments	164,621	—	—	—	164,621	—	—	164,621
Financial assets at FVPL	731,677	—	—	—	731,677	—	—	731,677
Accounts and notes receivables:								
Trade:								
Residential and office development	39,907,929	9,296,617	7,800,996	—	57,005,542	8,804,452	9,555	65,819,549
Construction contracts	1,765,635	—	—	—	1,765,635	824,655	45,297	2,635,587
Shopping centers	569,629	139,696	195,057	—	904,382	810,720	217,217	1,932,319
Corporate business	602,972	13,386	28,615	—	644,973	423,524	44,888	1,113,385
Management fees	75,572	14,172	7,086	—	96,830	16,807	2,614	116,251
Others	971,165	3,879	21,733	—	996,777	162,862	53,890	1,213,529
Accrued receivables	2,077,656	114,575	—	—	2,192,231	970,017	—	3,162,248
Related parties	451,528	243,146	221,521	—	916,195	96,390	—	1,012,585
Receivable from employees	711,608	—	—	—	711,608	—	—	711,608
Investment in bonds classified as loans and receivables	258,000	—	—	—	258,000	—	—	258,000
AFS financial assets:								
Unquoted	—	—	—	350,765	350,765	—	—	350,765
Quoted	149,594	—	—	—	149,594	—	—	149,594
	P67,469,207	P9,825,471	P8,275,008	P350,765	P85,920,451	P12,109,427	P373,461	P98,403,339



December 31, 2014

	Neither Past Due nor Impaired					Past Due but not Impaired	Individually Impaired	Total
	High Grade	Medium Grade	Low Grade	Unrated	Total			
	(In Thousands)							
Cash and cash equivalents (excluding cash on hand)	P28,645,823	P—	P—	P—	P28,645,823	P—	P—	P28,645,823
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 and office 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
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
	P87,180,400	P4,082,149	P3,546,329	P261,115	P95,069,993	P3,486,872	P277,749	P98,834,614



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 84:16 and 74:26 as of December 31, 2015 and 2014, 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, 2015 and 2014, with all variables held constant, (through the impact on floating rate borrowings):

December 31, 2015

Change in basis points	Effect on income before income tax Increase (decrease)	
	+ 100 basis points	- 100 basis points
	(In Thousands)	
Floating rate borrowings	(P208,284)	P208,284

December 31, 2014

Change in basis points	Effect on income before income tax Increase (decrease)	
	+ 100 basis points	- 100 basis Points
	(In Thousands)	
Floating rate borrowings	(P323,597)	P323,597

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, 2015

	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	P19,031,621	P19,031,621	P-	P-	P19,031,621
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	164,621	164,621	-	-	164,621
Accounts and notes receivable	Fixed at the date of sale	Date of sale	10,250,199	9,828,729	163,470	258,000	10,250,199
			P29,446,441	P29,024,971	P163,470	P258,000	P29,446,441
Company							
Short-term debt - US Dollar	Variable at 2.7500% to 2.900%	Monthly	P1,052,958	P1,052,958	P-	P-	P1,052,958
Short-term debt - Peso	Variable at 1.1000% to 1.2000%	Monthly	8,563,200	8,563,200	-	-	8,563,200
Long-term debt							
<i>Fixed</i>							
Peso	Fixed at 7.750%	10 years	100,000	100,000	-	-	100,000
Peso	Fixed at 8.900%	7 years	1,009,400	10,300	999,100	-	1,009,400
Peso	Fixed at 5.000%	3 years	219,670	219,670	-	-	219,670
Peso	Fixed at 5.000%	3 years	1,963,180	1,963,180	-	-	1,963,180
Peso	Fixed at 5.625%	7 years	9,350,000	-	9,304,168	-	9,304,168
Peso	Fixed at 6.000%	10 years	5,650,000	-	-	5,615,831	5,615,831
Peso	Fixed at 4.500% to 8.989%	5, 10 and 15 years	10,778,875	3,748,361	736,975	6,275,326	10,760,662
Peso	Fixed at 5.625%	11 years	8,000,000	-	-	7,927,851	7,927,851
Peso	Fixed at 5.000%	10.5 years	15,000,000	-	-	14,886,169	14,886,169
Peso	Fixed at 4.625%	7 years	4,000,000	-	3,973,778	-	3,973,778
Peso	Fixed at 6.000%	20 years	2,000,000	-	-	1,982,849	1,982,849
Peso	Fixed at 4.500%	10 years	4,950,000	50,000	200,000	4,700,000	4,950,000
Peso	Fixed at 4.725%	5 and 6 years	4,732,375	233,650	3,068,725	1,430,000	4,732,375
Peso	Fixed at 4.500%	10 years	8,200,000	-	246,000	7,954,000	8,200,000
Peso	Fixed at 4.500%	7 years	7,000,000	-	-	6,939,536	6,939,536
<i>Floating</i>							
USD	Variable at 2.3908% over 3-month LIBOR	6 years	1,882,400	-	75,296	1,807,104	1,882,400
Peso	Variable at 3.4424% over 91-day DR1	7 years	1,000,000	1,000,000	-	-	1,000,000
Subsidiaries							
Short-term debt							
<i>Floating</i>							
Peso	Variable at 2.500% to 2.700%	Monthly	870,100	870,100	-	-	870,100
Long-term debt							
<i>Fixed</i>							
Peso	Fixed at 3.630% to 10.211%	5 to 7 years	27,652,259	851,216	18,075,581	8,675,480	27,602,277
<i>Floating</i>							
Peso	Variable at 1.536% to 4.7500% over 91-day PDST-R1/R2	3 months	5,950,846	287,149	3,667,778	1,995,919	5,950,846
US Dollar	Variable at 1.932% to 2.233% over 3-month LIBOR	Quarterly	1,508,861	344,126	1,164,735	-	1,508,861
			P131,434,124	P19,293,910	P41,512,136	P70,190,065	P130,996,111



December 31, 2014

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
<u>Group</u>							
Cash and cash equivalents (excluding cash on hand)	Fixed at the date of investment	Various	P28,645,823	P28,645,823	P—	P—	P28,645,823
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
			P43,932,149	P36,577,139	P7,231,704	P93,150	P43,901,993
<u>Company</u>							
Short-term debt - US Dollar	Variable at 2.7500% to 2.900%	Monthly	P1,661,512	P1,661,512	P—	P—	P1,661,512
Short-term debt - Peso	Variable at 1.1000% to 1.2000%	Monthly	6,660,000	6,660,000	—	—	6,660,000
<u>Long-term debt</u>							
<u>Fixed</u>							
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
<u>Floating</u>							
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
<u>Subsidiaries</u>							
<u>Short-term debt</u>							
<u>Floating</u>							
Peso	Variable at 2.000% to 3.000%	Monthly	7,980,800	7,980,800	—	—	7,980,800
<u>Long-term debt</u>							
<u>Fixed</u>							
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
<u>Floating</u>							
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
			P125,099,935	P21,369,215	P38,431,703	P64,864,751	P124,665,669



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, 2015 and 2014, the Group's placements in foreign currencies amounting to \$31.8 million and \$24.3 million, respectively and the amount of foreign currency-denominated debt amounting to \$76.4 million and \$196.2 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, 2015 and December 31, 2014:

	December 31			
	2015		2014	
	US Dollar	Php Equivalent	US Dollar	Php Equivalent
(In Thousands)				
Financial Assets				
Cash and cash equivalents	\$14,408	₱678,062	\$15,884	₱710,315
Short-term investments	—	—	1,247	55,750
Financial Assets at FVPL	—	—	—	—
Accounts and notes receivable - net	24,422	1,149,285	6,804	304,274
Other current assets	257	12,080	—	—
Other noncurrent assets	—	—	375	16,761
Total	39,087	1,839,427	24,310	1,087,100
Financial Liabilities				
Accounts and other payables	14,041	660,766	576	25,769
Short-term debt	22,375	1,052,958	37,154	1,661,512
Long-term debt	72,062	3,391,261	158,420	7,084,563
Other noncurrent liabilities	5	220	70	3,141
Total	108,483	5,105,205	196,220	8,774,985
Net foreign currency denominated financial instruments	(\$69,396)	(₱3,265,778)	(\$171,910)	(₱7,687,885)

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱47.06 to US\$1.00 and ₱44.72 to US\$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2015 and 2014, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

Change in exchange rate	Effect on profit before tax Increase (decrease)	
	2015	2014
₱1.00 (₱1.00)	(₱69,397) 69,397	(₱171,910) 171,910

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

Equity price risk

Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.



The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity (in thousands).

Change in PSEi index	Effect on equity Increase (decrease)	
	2015	2014
	(In Thousands)	
+5%	₱9,012	₱15,150
-5%	(9,012)	(15,150)

Quoted financial assets at FVPL pertain to investment in UITF (Fund). The Fund, which is structured as a money market UITF, aims to generate liquidity and stable income by investing in a diversified portfolio of primarily short-term fixed income instruments.

All other variables held constant, with a duration of 0.18 and 0.05 year for 2015 and 2014 respectively, the fair value of the Group's investment in the fund, net income and equity will increase (decrease) by ₱0.5 million and ₱2.8 million for December 31, 2015 and 2014, respectively, for a 100 basis points decrease (increase), respectively, in interest rates.

30. Segment Information

The industry segments where the Group and its associates and joint ventures operate follows:

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

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



Business segments

The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the two years in the period ended December 31 (in millions):

2015

	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	P13,365	P4,931	P63,694	P4,137	P7,383	P5,974	P1,177	P-	P-	P100,661
Intersegments sales	621	-	2,050	2,622	36,685	-	705	-	(42,683)	-
Equity in net earnings of associates and joint ventures	(241)	-	(3)	241	-	-	-	(138)	-	(141)
Total revenue	13,745	4,931	65,741	7,000	44,068	5,974	1,882	(138)	(42,683)	100,520
Operating expenses	7,178	2,532	48,595	5,844	38,925	4,826	1,878	1,391	(39,242)	71,927
Operating profit	6,567	2,399	17,146	1,156	5,143	1,148	4	(1,529)	(3,441)	28,593
Interest and investment income										5,980
Interest and other financing charges										(6,506)
Other income										683
Other charges										(999)
Provision for income tax										(6,854)
Net income										P20,897
Net income attributable to:										
Equity holders of Ayala Land, Inc.										P17,630
Non-controlling interests										3,267
										P20,897
Other Information										
Segment assets	P82,363	P50,682	P277,229	P134,860	P46,284	P27,601	P5,271	P26,563	(P233,943)	P416,910
Investment in associates and joint ventures	845	-	572	8,677	-	-	-	7,427	-	17,521
	83,208	50,682	277,801	143,537	46,284	27,601	5,271	33,990	(233,943)	434,431
Deferred tax assets	265	88	1,691	273	32	281	23	2,187	3,071	7,911
Total assets	P83,473	P50,770	P279,492	P143,810	P46,316	P27,882	P5,294	P36,177	(P230,872)	P442,342
Segment liabilities	P55,407	P18,871	P152,372	P96,509	P41,445	P16,136	P3,835	P9,010	(P102,851)	P290,734
Deferred tax liabilities	18	19	1,073	614	-	472	15	-	(429)	1,782
Total liabilities	P55,425	P18,890	P153,445	P97,123	P41,445	P16,608	P3,850	P9,010	(P103,280)	P292,516
Segment additions to:										
Property and equipment	P433	P29	P1,120	P222	P2,277	P1,341	P1,963	P175	P-	P7,560
Investment properties	P6,599	P2,163	P168	P2,544	P-	P813	P-	P3,692	P-	P15,979
Depreciation and amortization	P1,449	P827	P204	P747	P1,017	P539	P160	P127	P-	P5,070
Non-cash expenses other than depreciation and amortization	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-
Impairment losses	P122	P-	P279	P-	P-	P-	P-	P94	P-	P495



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	P10,960	P4,434	P54,986	P6,905	P5,091	P5,618	P1,034	P-	P-	P89,028
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										P17,715
Net income attributable to:										
Equity holders of Ayala Land, Inc.										P14,803
Non-controlling interests										2,912
										P17,715
Other Information										
Segment assets	P68,230	P40,237	P249,523	P98,750	P38,587	P24,835	P4,935	P12,047	(P165,621)	P371,523
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	P69,078	P40,323	P251,007	P107,711	P38,600	P24,943	P4,952	P15,527	(P163,197)	P388,944
Segment liabilities	P38,972	P19,471	P130,074	P77,602	P35,504	P11,548	P5,699	P15,119	(P69,007)	P264,982
Deferred tax liabilities	18	82	334	202	-	440	1	-	890	1,967
Total liabilities	P38,990	P19,553	P130,408	P77,804	P35,504	P11,988	P5,700	P15,119	(P68,117)	P266,949
Segment additions to:										
Property and equipment	P149	P147	P269	P67	P861	P1,053	P631	P91	P-	P3,268
Investment properties	P5,464	P3,693	P100	P3,460	P-	P-	P143	P509	P-	P13,369
Depreciation and amortization	P1,530	P714	P306	P715	P670	P512	P118	P425	P-	P4,990
Non-cash expenses other than depreciation and amortization	P-	P-	P-	P-	P-	P-	P-	P-	P-	P-
Impairment losses	P116	P-	P-	P-	P19	P-	P-	P5	P-	P140



31. Registration with Philippine Economic Zone Authority (PEZA)

APRC, a wholly-owned subsidiary is registered with the PEZA with certificate of registration number 09-03-F under Registration Agreement dated May 29, 2009, as amended by Registration Agreement dated May 6, 2010, pursuant to the provision of Republic Act (R.A.) No. 7916, as amended, as an Ecozone Facilities Enterprise to construct a 12-storey office building (exclusive of 1 penthouse and 2 level basement parking) with a gross floor area of 24,214 square meters, more or less, which shall be established on a 3,621 square meter lot, located at Block 8, Lots 1 and 2, Asiatown IT Park, for lease to registered enterprises.

The Company shall be exempted from the payment of all national and local taxes and in lieu thereof, the Company shall pay a 5% final tax on gross income (GIT) earned from locator IT enterprise and related operations in accordance with the provision of Rule XX of the Rules and Regulations implementing R.A. 7916, as amended. The Company shall pay the real property taxes on commercial spaces occupied by non-PEZA registered enterprises. Pursuant to BIR's Rules and Regulation No. 14-2002 (amending further pertinent provision of Revenue Regulations No. 2-98, as amended), income payments to PEZA-registered enterprises under the 5% GIT incentives are exempt from expanded withholding tax.

The Company will be subjected to all evaluation and/or processing requirement and procedures prescribed under PEZA Rules and Regulations, and other pertinent circulars and directives. The Company's entitlement to incentives shall continue as long as it remains in good standing, commit no violation of PEZA Rules and Regulations, other pertinent circulars and directives, and the terms and conditions of its registration agreement with PEZA.

LTI was registered with PEZA on October 27, 1999 as a non-pioneer "ecozone developer/operator". The PEZA registration entitled the subsidiary to a four-year income tax holiday from the start of its commercial operations. At the expiration of its four-year tax holiday, the subsidiary pays income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

Likewise, Ceci also became registered with PEZA in 2007 as the "developer/operator" of the Lakeside Ecozone.

Glensworth, a wholly owned subsidiary of APPCo, was registered with PEZA as an Economic Zone Information IT Facility Enterprise last December 14, 2007 to construct a 4-storey building at the Lakeside Ecozone, Barangay Sta. Rosa, Laguna for lease to PEZA-registered enterprises. As a PEZA-registered enterprise, the Glensworth is entitled to incentives which, among others, include a lower income tax rate of 5% on gross income in lieu of all national and local taxes.

HPC, a wholly owned subsidiary of the Company, was registered with PEZA last January 29, 2009 as an Ecozone Facilities Enterprise at the John Hay Special Tourism Economic Zone located in Baguio.

Sunnyfield, a wholly owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as a Developer/Operator of Iloilo Technohub.

Westview, a wholly owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as an Ecozone Facilities Enterprise at the Ayala Northpoint Technohub located in Bacolod.

CPVDC was registered with PEZA on April 6, 2000 as an Information Technology (IT) Park developer or operator and was granted approval by PEZA on October 10, 2001. The PEZA registration entitled CPVDC to a four-year tax holiday from the start of approval of registered activities. At the expiration of its four-year tax holiday, CPVDC pays income tax at the special rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.



32. Leases

Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Group follows:

	2015	2014
	(In Thousands)	
Within one year	₱3,648,626	₱4,019,617
After one year but not more than five years	10,790,610	8,895,438
More than five years	12,179,151	8,719,812
	₱26,618,387	₱21,634,867

Operating Leases - Group as Lessee

The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of the Group follows:

	2015	2014
	(In Thousands)	
Within one year	₱659,677	₱592,404
After one year but not more than five years	3,001,038	1,869,779
More than five years	16,189,004	11,211,843
	₱19,849,719	₱13,674,026

The Group, through its majority owned subsidiary, NTDC, entered into an assignment agreement with MRTDC, wherein the latter assigned its development rights on an 8.3 hectare portion of the MRTDC, which is located on the North Triangle property, and enabled the Group to develop and construct a commercial center. The Group has determined that all the significant risks and rewards of ownership of this property is retained by the owner. This agreement was accounted for as a lease as it involves an exclusive right to use or develop the property in exchange for a series of payments.

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 sqm on a 10,000 sqm 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 sqm located along Liwasang Kalayaan, Marikina Heights, Marikina City. The Company signed a 42-year lease contract with an option to renew for another 40 years by mutual agreement.

On September 2, 2014, the Company signed a Lease Agreement with D.M. Wenceslao & Associates Inc. for the lease of several parcels of land along Asean Avenue and Macapagal Boulevard, Aseana City, Paranaque City with an aggregate area of 92,317 sqm. 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 sqm of gross leasable area and an office/BPO building about 8,000 sqm 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 sqm, 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 2015 mainly pertain to winding down operations.

The share of MDC in the net assets and liabilities of the Joint Venture at December 31, 2015 and 2014 which are included in the consolidated financial statements follow:

	2015	2014
	(In Thousands)	
Current assets:		
Cash and cash equivalents	₱20,662	₱46,557
Amounts due from customers for contract work	—	—
Other current assets	38,470	47,205
Total assets	₱59,132	₱93,762
Total liabilities	₱11,283	₱10,866

The following is the share of the MDC on the net income of the Joint Venture:

	2015	2014
	(In Thousands)	
Revenue from construction contracts	₱—	₱—
Contract costs	(1,031)	(22,440)
Interest and other income	317	6,513
Loss before income tax	(714)	(15,927)
Provision for income tax	(56)	(51)
Net loss	(₱770)	(₱15,978)



The Joint Venture's Management Board declared and paid cash dividends amounting to ₱50.0 million in March 4, 2015. Based on 51% share, MDC received ₱21.5 million cash dividends in 2015.

Provision for income tax pertains to the final tax on interest income.

34. Long-term Commitments and Contingencies

Commitments

Upon the completion of certain closing conditions based on the Agreement to Subscribe dated August 13, 2015 between the Group and Prime Orion Philippines, Inc. (POPI), the Group is committed to subscribe to the common shares of POPI which will represent 51.36% of the total outstanding shares of stock of POPI. On February 24, 2016 a Deed of Subscription and a Supplement to the Deed of Subscription was executed by the Company and POPI (see Note 36).

On August 11, 2015, the Company won the bid for the Integrated Transport System Project – South Terminal ("ITS South Project"). The Company will be awarded by the Department of Transportation and Communications ("DOTC") with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where the Company is developing an integrated mixed-use estate. It is estimated that up to 4,000 buses and 160,000 passengers will feed into ITS South from SLEX every day. Construction will begin by May 2016 and is expected to be completed and ready for operation by October 2017.

On June 30, 2015, the Company, through SM-ALI Group Consortium (the Consortium), participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 sqm, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. The Consortium is a consortium among SMPHI, the Company and CHI (together with the Company collectively referred to as the "ALI Group"). The SM-ALI Group will co-develop the property pursuant to a joint master plan.

On August 8, 1997, an "Assignment Agreement" was executed between Department of Transportation and Communications (DOTC), Metro Rail and MRTDC whereby MRTDC agreed to be bound by all obligations in respect of the Development Rights and make payments to DOTC.

On February 21, 2002, MRTDC and NTDC entered into an assignment agreement wherein the development rights of MRTDC over an 8.3 hectare portion of the MRT Depot (inclusive of project development costs incurred in relation thereto) was assigned to NTDC in exchange for 32,600,000 shares of stock to be issued out of the increase in the authorized capital stock of NTDC, each share with a par value of ₱10, or an aggregate par value of ₱326.00 million. The amount of development rights in excess of the aggregate par value of the shares subscribed was credited to additional paid-in capital.

On January 13, 2006, the deed of assignment between MRTDC and NTDC was acknowledged by DOTC making MRTDC and NTDC jointly and severally liable for the DRP and all other obligations attached thereto. NTDC has been paying rent to DOTC in behalf of MRTDC since January 1, 2006.

On March 21, 2007, DOTC, National Housing Authority (NHA), MRTDC, and NTDC entered into a Memorandum of Agreement (MOA) whereby DOTC assigns, transfers and conveys to NHA, its successors or assigns, the right to demand and collect the Depot DRP Payable and Depot DRP. In the MOA, DOTC authorizes MRTDC/ NTDC to remit the Depot DRP Payable and the Depot DRP to NHA directly which shall be credited by DOTC in favour of MRTDC/ NTDC as payment for the DRP.



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 sqm 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. The Group is committed to pay \$5 million (P223.6 million) to Manila Mandarin Hotel, Inc. upon the opening of the New Hotel or June 30, 2017, whichever is earlier.

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 MWCI 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 MWCI 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. MWCI 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. MWCI is currently re-estimating the project cost because of NUVALI expansion. Finally, on December 23, 2013 LTI signed an agreement with LAWC, to sell the water reticulation system of LTI. LAWC took over officially as the exclusive water service provider on December 31, 2013.

In 2009, MWCI and the Provincial Government of Laguna formed a joint venture company, 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 sqm. 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 Bases Conversion and Development Authority (BCDA) to develop, under a lease agreement signed on July 2000, a mall with an estimated gross leasable area of 152,000 sqm 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 ₱7,839.8 million, ₱10,636.6 million and ₱14,726.2 million in 2015, 2014 and 2013 respectively; transfer from land and improvements to investment properties in 2013 amounted to ₱1,463.9 million; transfer from land and improvements to property and equipment amounted to ₱1.7 million in 2015; transfer from land and improvements to other assets amounted to ₱56.85 million in 2015; transfers from inventories to investment properties amounted to ₱52.0 million, nil and ₱20.7 million in 2015, 2014 and 2013, respectively; transfer from inventories to property and equipment amounted to nil, ₱138.8 million and ₱5.4 million in 2015, 2014 and 2013, respectively; transfers from investment properties to inventories amounted to nil, ₱827.2 million and ₱45.1 million in 2015, 2014 and 2013 respectively; transfer from investment properties to property and equipment amounted to nil, ₱2.3 million and ₱157.4 million in 2015, 2014 and 2013 respectively; transfers from property and equipment to other assets amounting nil, ₱239.8 million and ₱1,422.7 million in 2015, 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 ₱90.9 million and ₱33.1 million in 2015 and 2014, respectively;



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 2013; land and improvement which amounted to ₱108.7 million was donated in 2015.

36. Events After Reporting Date

On January 12, 2016, the Company has entered into a partnership with Manila Water Philippine Ventures, Inc, a wholly owned subsidiary of Manila Water Company, Inc, for the waterworks of ALI's projects nationwide. The MOA was signed by ALI and its subsidiaries and affiliates, Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp.

ALI and LT Group, Inc. (LTG) entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.

The Company plans to raise ₱8 billion from the issuance of fixed rate bonds, documents filed with the Securities and Exchange Commission on February 1, 2016. The ₱8-billion bond offering forms part of the ₱50-billion debt securities program that ALI plans to implement over the next two years. The bonds will have a tenor of 10 years. The Company appointed BPI Capital Corp. as the lead underwriter of the offering. Joint lead underwriters include BDO Capital & Investments Corp. China Bank Capital Corp., First Metro Investments Corp. and PNB Capital and Investments Corp.

In February 2016, the Company purchased additional 1,078,500 common shares of CHI from BPI Securities totaling ₱4.06 million. This brings ALI's ownership from 56.36% to 56.67% of total outstanding capital stock of CHI.

On February 24, 2016, the Company and POPI executed a Deed of Subscription and a Supplement to the Deed of Subscription whereby the Company subscribed to 2,500.0 million common shares of stock of POPI, which will represent 51.06% of the total outstanding shares of POPI. The consideration for the Company's subscription is ₱2.25 per share or a total subscription price of ₱5,625.0 million, of which 25.0% or ₱1,406.3 million was paid and the 75.0% to be paid upon fulfillment of certain terms and conditions.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and its subsidiaries as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated February 26, 2016. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedules A to K listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-3 (Group A),
February 14, 2013, valid until April 30, 2016
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 0017580, January 4, 2016, Makati City

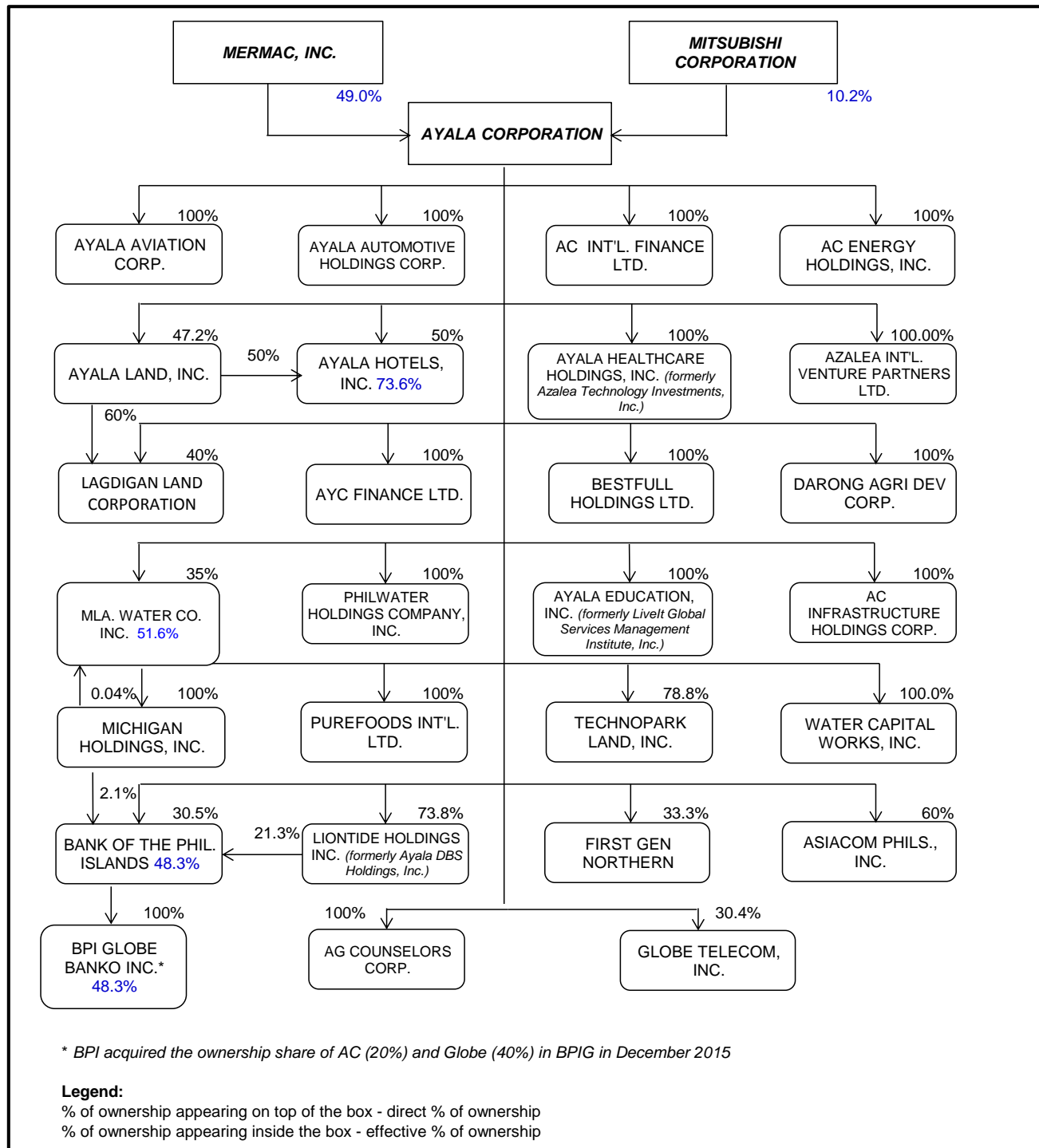
February 26, 2016



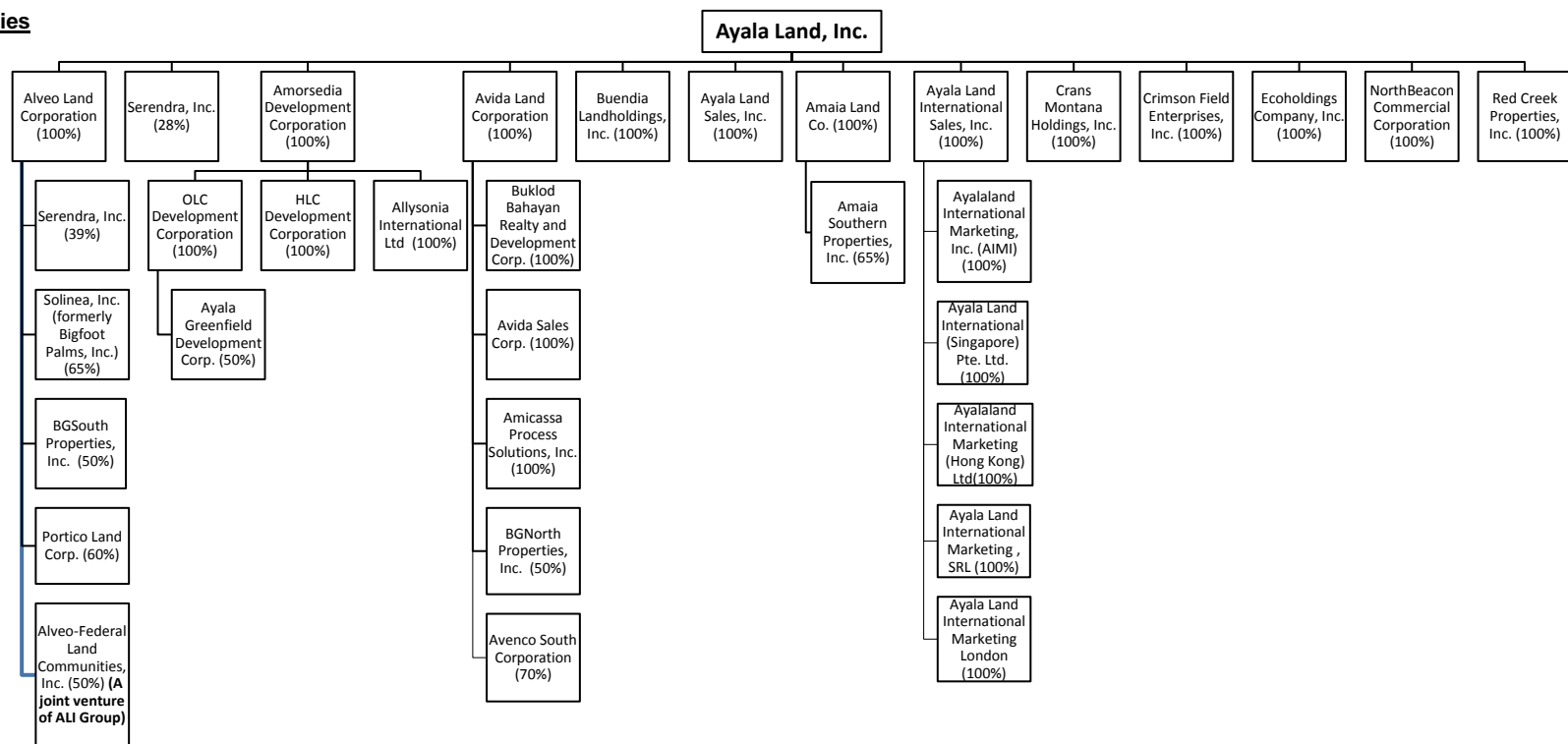
AYALA LAND, INC.
SCHEDULE I - RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
December 31, 2015

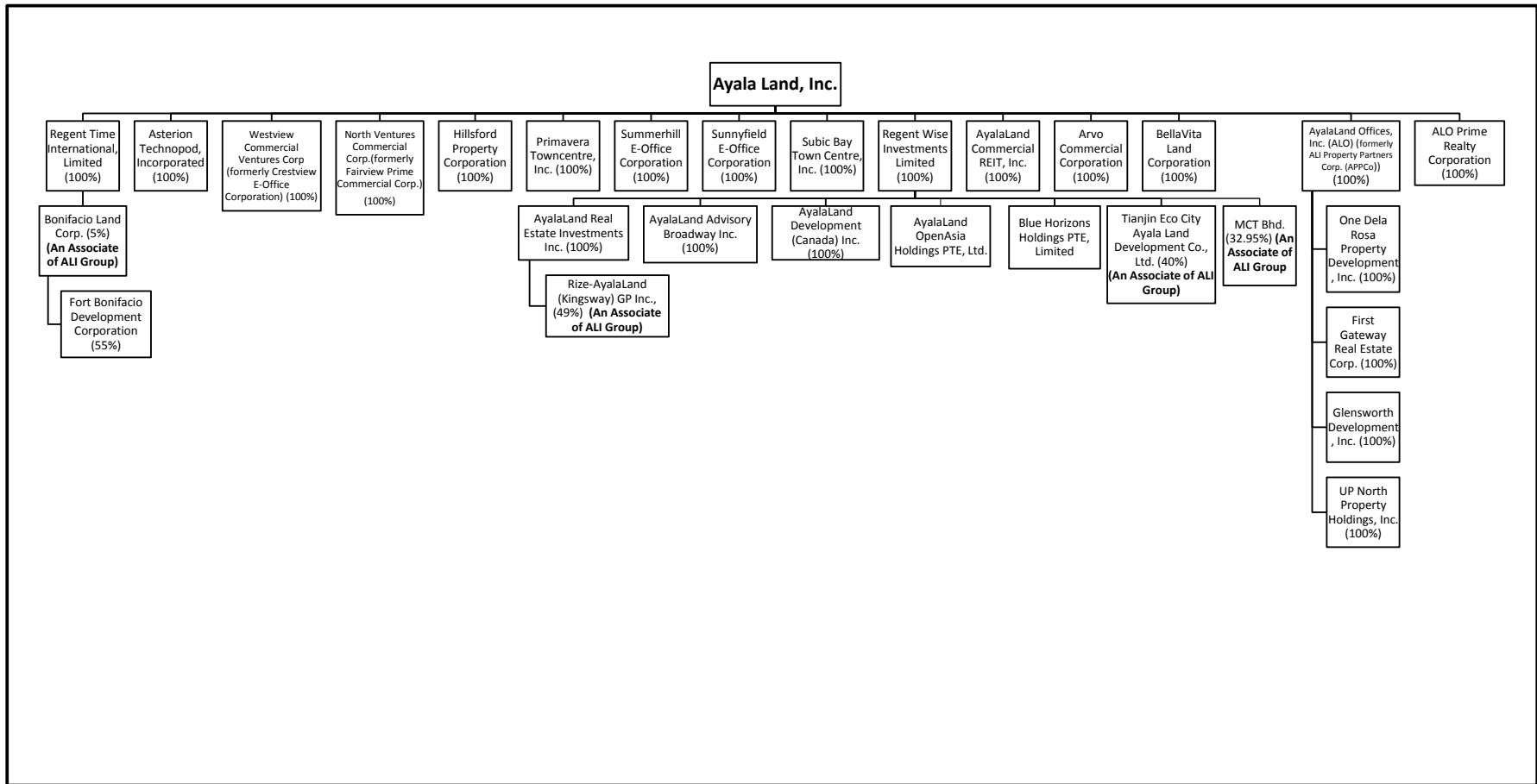
Items	Amount (In Thousands)
Unappropriated Retained Earnings, beginning	Php 29,626,106,781
Less adjustments:	
Treasury shares	
Deferred tax assets	(1,596,540,328)
Fair Value adjustment	(593,852,588)
Unappropriated Retained Earnings, as adjusted, beginning	27,435,713,865
Net Income based on the face of AFS	Php 11,149,504,064
Less: Non-actual/unrealized income net of tax	
Amount of provision for deferred tax during the year	359,353,270
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	
Unrealized actuarial gain	
Fair value adjustment (M2M gains)	
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP-gain	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	
Adjustment due to deviation from PFRS/GAAP – loss	
Loss on fair value adjustment of investment property (after tax)	
Net Income Actual/Realized	Php 11,508,857,334
Less: Other adjustments	
Dividend declarations during the period	(6,156,764,914)
Effects of prior period adjustments	
Reversal of Treasury shares	
	5,352,092,420
Unappropriated Retained Earnings, as adjusted, ending	Php 32,787,806,285

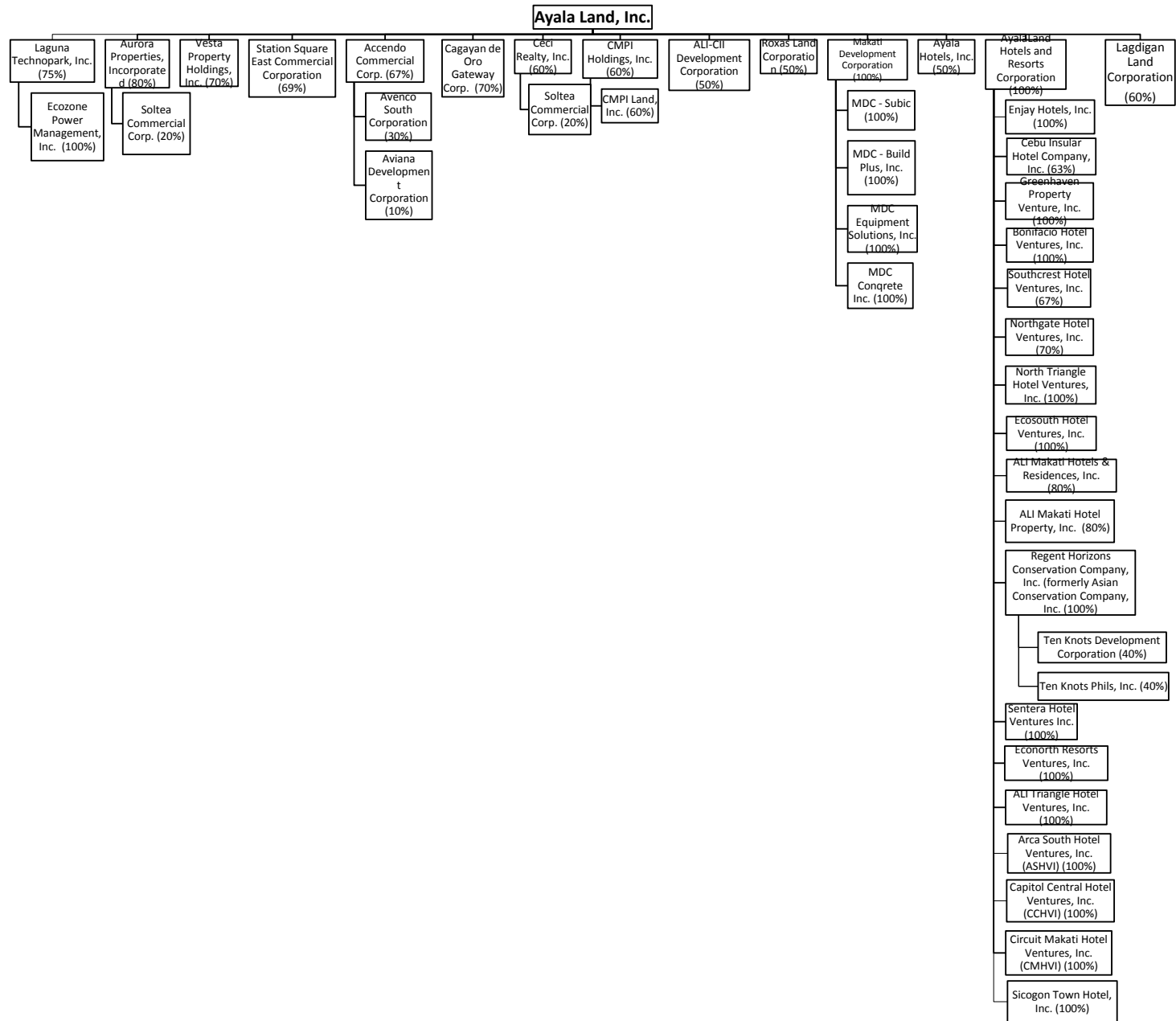
AYALA CORPORATION AND SUBSIDIARIES
SCHEDULE J - CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015

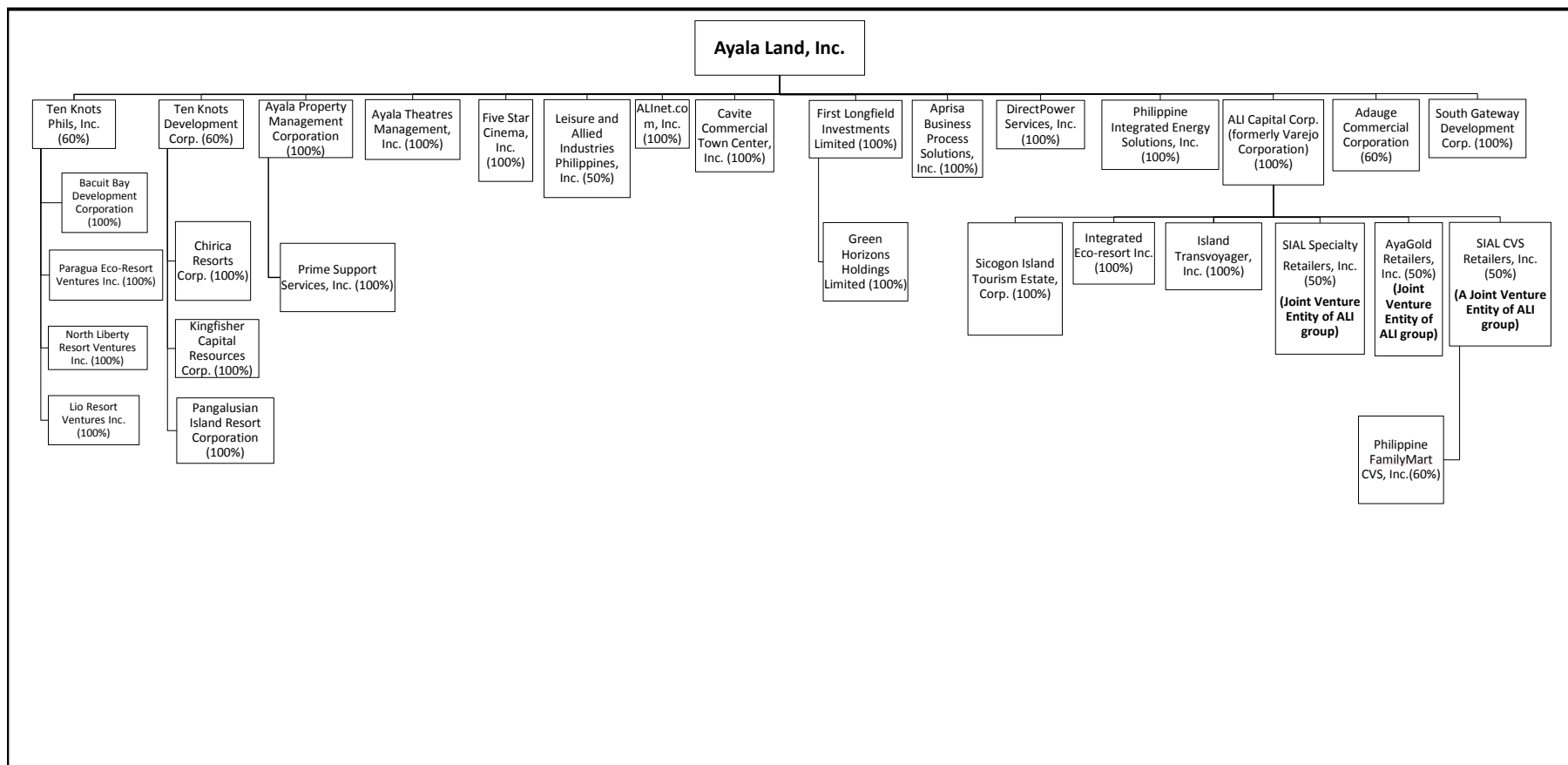


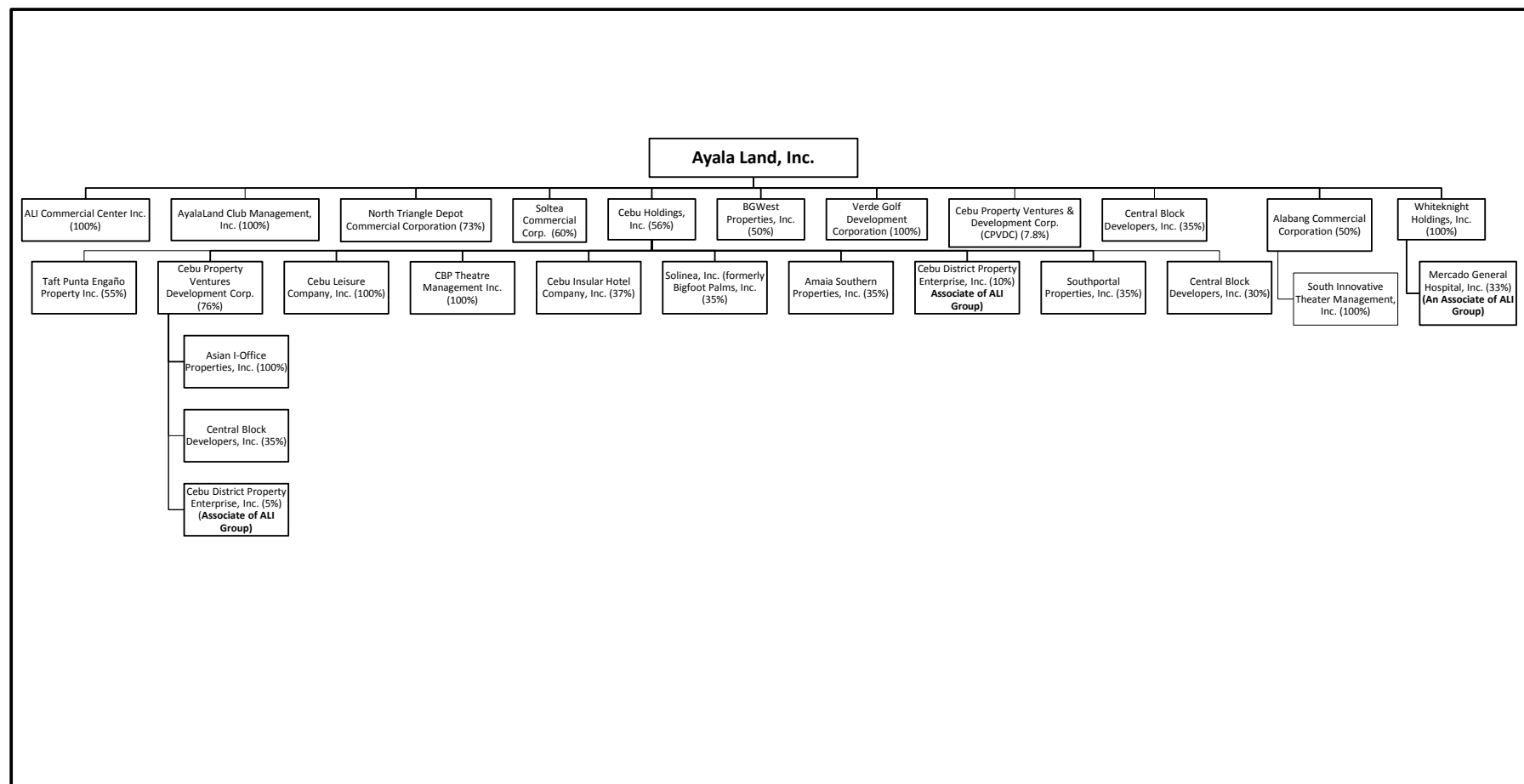
Subsidiaries

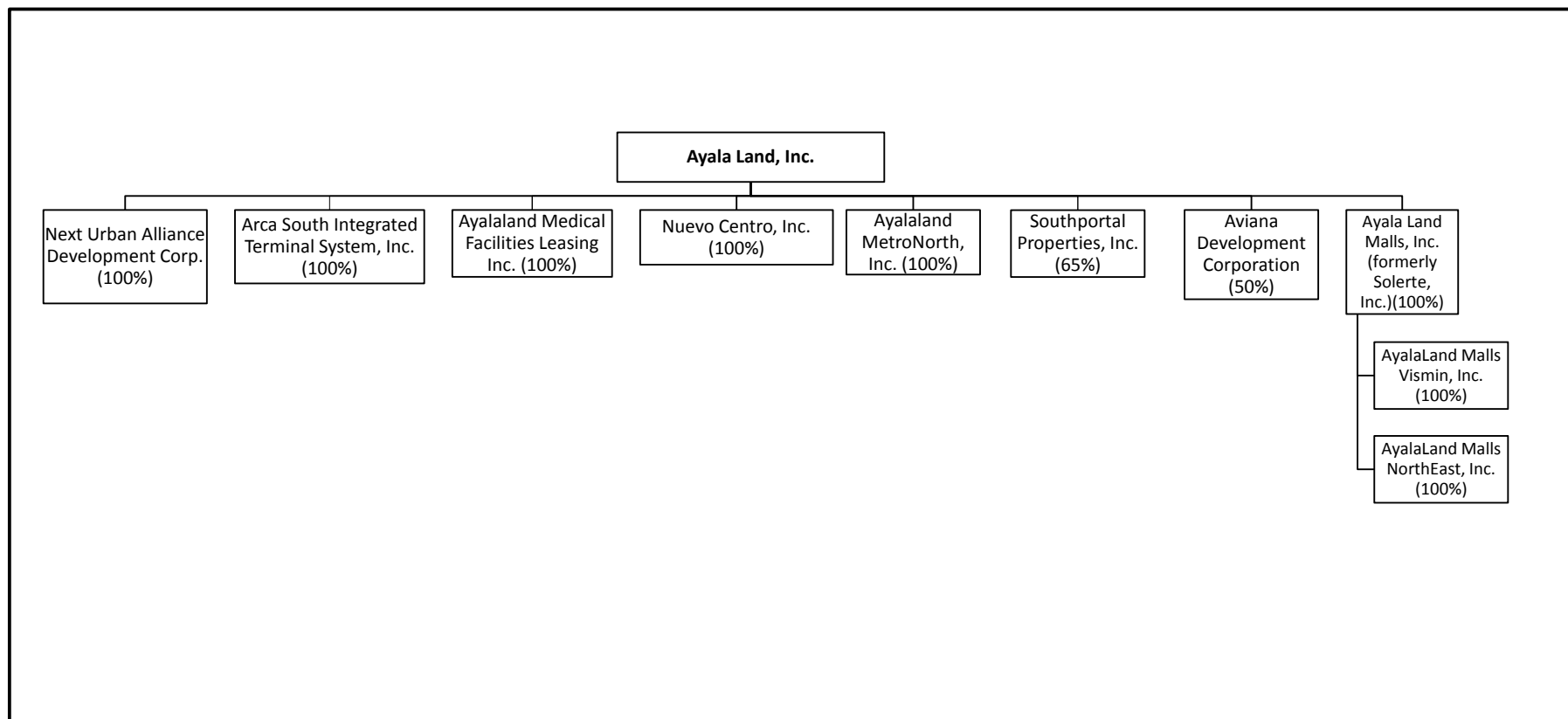




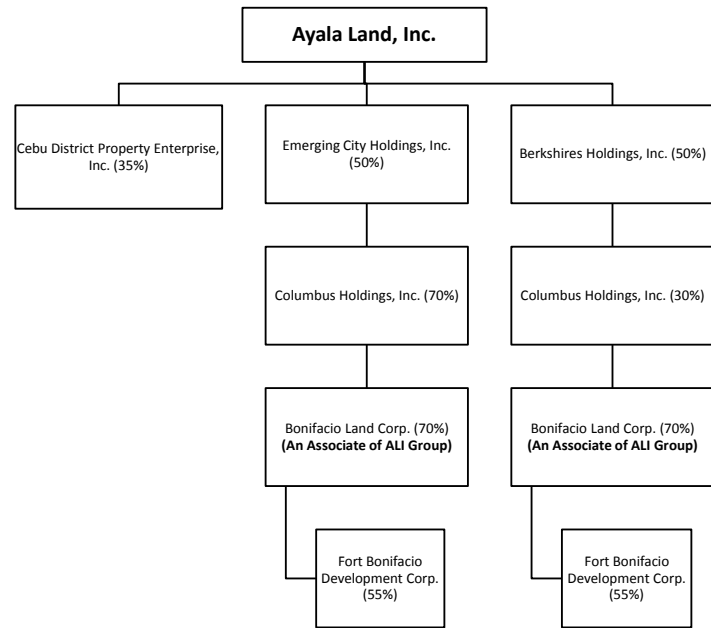




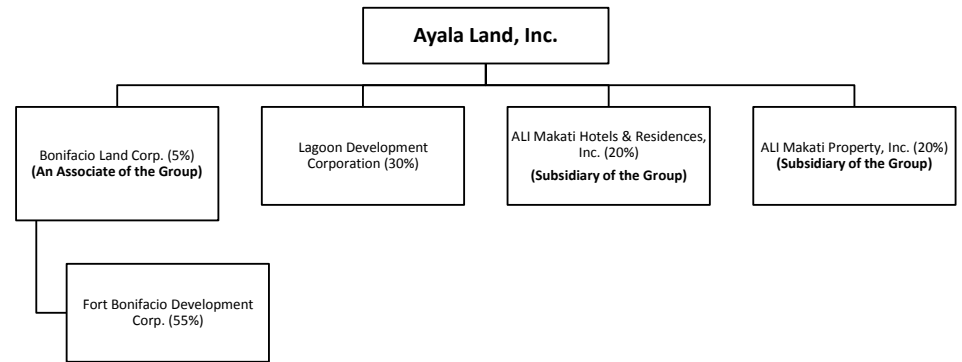




Direct Investments in Joint Ventures



Direct Investments in Associates



AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE K - LIST OF APPLICABLE STANDARDS AND INTERPRETATIONS
December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs	Not early adopted		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendments to PFRS 5: Changes in Methods of Disposal	Not early adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7:	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Reclassification of Financial Assets			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
	Amendments to PFRS 7: Amendments to PFRS 7: Servicing Contracts	Not early adopted		
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Not early adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments (2010 version)	Not early adopted		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)	Not early adopted		
	Financial Instruments (2014 or final version)	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PFRS 10: Investment Entities: Applying the Consolidation Exception	Not early adopted		
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
PFRS 11	Joint Arrangements	✓		
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Not early adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts	Not early adopted		
IFRS 15	Revenue from Contracts with Customers**	Not early adopted		
IFRS 16	Leases**	Not early adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendment to PAS 1: Disclosure Initiative	Not early adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Not early adopted		
	Amendments to PAS 16 and PAS 41: Bearer Plants	Not early adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements	Not early adopted		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendment to PAS 32: Presentation – Tax effect of distribution to holders of equity instrument	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'	Not early adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	Not early adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Recognition of Financial Assets and Financial Liabilities			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants	Not early adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 15	Agreements for the Construction of Real Estate*			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* Effectivity has been deferred by the SEC and FRSC

** New standard issued by the IASB has not yet been adopted by the FRSC

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE L - FINANCIAL RATIOS
December 31, 2015

	2015	2014
	(Amounts inThousands)	
Current / liquidity ratios		
Current Assets	166,203,595	165,634,445
Current liabilities	146,132,855	134,600,718
Current ratios	1.14	1.23

Current Assets	166,203,595	165,634,445
Inventory	59,246,962	48,179,191
Quick assets	106,956,633	117,455,254
Current liabilities	146,132,855	134,600,718
Quick ratios	0.73	0.87

	2015	2014
	(Amounts inThousands)	
Solvency/ debt-to-equity ratios		
Short-term debt	10,486,258	16,302,312
Current portion of long-term debt	8,807,652	5,066,903
Long-term debt - net of current portion	111,702,201	103,296,454
Debt	130,996,111	124,665,669
Equity *	149,825,411	121,995,458
Less: Unrealized gain - AFS	(80,800)	135,815
Equity, net of unrealized gain	149,906,211	121,859,643
Debt to equity ratio	0.87	1.02

Debt	130,996,111	124,665,669
Cash and cash equivalents	19,087,390	28,677,282
Short term investments	164,621	301,405
Financial assets at FV through P&L, net of in	288,229	5,607,838
Net Debt	111,455,871	90,079,144
Equity*	149,825,411	121,995,458
Net Debt to equity ratio	0.74	0.74

	2015	2014
	<i>(Amounts inThousands)</i>	
Asset to equity ratios		
Total Assets	442,341,800	388,944,463
Total Equity*	149,825,411	121,995,458
Asset to Equity Ratio	2.95	3.19

* Based on consolidated equity

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE L - FINANCIAL RATIOS
December 31, 2015

	2015	2014
	(Amounts inThousands)	
Interest rate coverage ratio		
Net income after tax	20,896,887	17,714,458
Add:		
Provision for income tax	6,853,917	6,142,329
Interest expense and other financing charges	6,506,261	5,365,716
Other charges	998,860	375,797
	14,359,038	11,883,842
Less:		
Interest and investment income	5,980,031	4,816,980
EBIT	29,275,894	24,781,320
Depreciation and amortization	5,069,595	4,990,465
EBITDA	34,345,489	29,771,785
Interest expense	6,231,718	5,195,123
Short-term debt	959,644	574,398
Long-term debt	5,272,074	4,620,725
Interest rate coverage ratio	5.5	5.7

	2015	2014
	(Amounts inThousands)	
Profitability ratios		
Net income attributable to equity holders of Ayala Land, Inc.	17,630,275	14,802,642
Revenue	107,182,940	95,197,046
Net income margin	16.4%	15.5%
Net income after tax	20,896,887	17,714,458
Total Assets CY	442,341,800	388,944,463
Total Assets PY	388,944,463	325,473,685
Average Total Assets	415,643,132	357,209,074
Return on total assets	5.0%	5.0%

Net income after tax attributable to equity holder of Ayala Land Inc.	17,630,275	14,802,642
Total Equity-CY	133,730,704	106,939,836
Total Equity-PY	106,939,836	98,469,775
Average total equity attributable to equity holder	120,335,270	102,704,806
Return on Equity	14.7%	14.4%

P7.0 Billion Fixed Rate Bonds due 2022

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	7,000,000,000.00	7,000,000,000.00
Less: Estimated Upfront Expenses		
SEC Registration & Legal Research Fee	-	-
Documentary Stamp Tax	35,000,000.00	35,000,000.00
Underwriting Fee	26,250,000.00	25,724,999.99
Estimated Professional Expenses & Agency fees	5,740,000.00	3,058,763.32
Marketing/Printing/Photocopying Costs and OPEs	2,500,000.00	19,307.59
Listing Fee	100,000.00	-
Total Expenses	69,590,000.00	63,803,070.90
Net Proceeds	6,930,410,000.00	6,936,196,929.10

Balance of Proceeds as of 12.31.2015

NIL

Ayala Land raised from the Bonds gross proceeds of P7.0 billion. After issue-related expenses, actual net proceeds amounted to approximately P6.9 billion. Net proceeds were used to partially finance various projects.

P5.0 Billion Fixed Rate Bonds due 2021

(In pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	5,000,000,000.00	5,000,000,000.00
Expenses		
Documentary Stamp Tax	25,000,000.00	25,000,000.00
SEC Registration	1,812,500.00	1,812,500.00
Legal Research Fee	18,125.00	18,125.00
Upfront Fees	-	-
Underwriting Fee	18,750,000.00	18,750,000.00
Professional Expenses and Agency Fees	3,828,500.00	4,051,801.20
Out of Pocket Expenses (publication, printing etc.)	2,500,000.00	275,128.39
Total Expenses	52,051,125.00	49,907,554.59
Net Proceeds	4,947,978,875.00	4,950,092,445.41

Balance of Proceeds as of 12.31.2015

NIL

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

P8 Billion Fixed Rate Callable Bonds due 2025

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

Balance of Proceeds as of 12.31.2015**NIL**

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

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

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

Balance of Proceeds as of 12.31.2015**NIL**

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

P15.0 Billion Fixed Rate Bonds due 2024

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

Balance of Proceeds as of 12.31.2015**NIL**

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

P9.35 Billion Fixed Rate Callable Bonds due 2019 and P5.65 Billion Fixed Rate Callable Bonds due 2022

(in pesos)	ESTIMATED PER PROSPECTUS	ACTUAL
Issue Amount	15,000,000,000.00	15,000,000,000.00
Expenses		
Documentary Stamp Tax	75,000,000.00	75,000,000.00
Underwriting Fee	54,035,000.00	54,035,000.00
Rating Fee	5,040,000.00	4,125,000.00
SEC Registration		
SEC Registration Fee	4,312,500.00	4,312,500.00
SEC Legal Research Fee	43,125.00	43,125.00
Professional Expenses	1,960,000.00	3,064,146.00
Marketing/Printing/Photocopying Costs and OPEs	500,000.00	383,755.82
Registry and Paying Agency Fee	337,500.00	1,056,314.87

Trustee Fees	112,500.00	20,000.00
Listing Fee	100,000.00	443,666.68
Total Expenses	141,440,625.00	142,483,508.37
Net Proceeds	14,858,559,375.00	14,857,516,491.63

Balance of Proceeds as of 12.31.2015

NIL

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

HOMESTARTER BONDS 6

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

Balance of Proceeds as of 12.31.2015

NIL

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

HOMESTARTER BONDS 5

(in pesos)	PROSPECTUS	ACTUAL
Issue Amount	1,000,000,000.00	1,000,000,000.00
Expenses		
SEC Registration	1,325,625.00	1,325,625.00
Underwriting and Other Professional Fees	8,000,000.00	9,421,000.00
Marketing/Printing/Photocopying Costs and OPEs	2,200,000.00	1,587,085.83
Registry and Paying Agency Fees	200,000.00	154,090.30
Documentary Stamp Tax	10,000,000.00	5,000,000.00
Total Expenses	21,725,625.00	17,487,801.13
Net Proceeds	978,274,375.00	982,512,198.87

Balance of Proceeds as of 12.31.2015

NIL

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