SEC Number: 152-747
File Number: ________

AYALA LAND, INC.

(Company's Full Name)

31F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 750-6974

(Telephone Number)

June 30, 2017

(Quarter Ending)

SEC Form 17-Q Quarterly Report

(Form Type)

(Amendments)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2017**

2. Commission Identification Number **152747**

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

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

5. Province, Country or other jurisdiction of incorporation or organization:
   Makati City, Philippines

6. Industry Classification Code: _______ (SEC Use Only)

7. Address of issuer's principal office and postal code:
   31F, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226

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

9. Former name, former address, former fiscal year: **not applicable**

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

    As of July 31, 2017

Title of each class	Number of shares issued and outstanding
Common shares	**14,724,947,588**
Preferred shares	**13,066,494,759**

Amount of Debt Outstanding
₱88,000,000,000.00

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

    Stock Exchange: **Philippine Stock Exchange**
    Securities listed: **Common shares**

12. Indicate by check mark whether the registrant:

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

    (b) has been subject to such filing requirements for the past 90 days:
    Yes [x] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 2017 Unaudited	December 2016 Audited
ASSETS		
Current Assets		
Cash and cash equivalents (note 5)	₱18,176	₱20,904
Short-term investments (note 6)	5,899	208
Financial assets at fair value through profit or loss - UITF	476	1,529
Financial assets at fair value through profit or loss (note 7)	474	435
Accounts and notes receivable (note 8)	94,687	97,468
Inventories (note 9)	63,565	66,728
Other current assets	29,020	23,740
Total Current Assets	212,297	211,012
Noncurrent Assets		
Noncurrent accounts and notes receivable	28,487	35,133
Available-for-sale financial assets	1,651	1,385
Land and improvements	101,156	101,457
Investments in associates and joint ventures (note 10)	25,496	24,985
Investment properties - net	117,078	107,931
Property and equipment - net	29,034	26,504
Deferred tax assets - net	10,098	9,879
Other noncurrent assets	21,098	18,146
Total Noncurrent Assets	334,098	325,420
Total Assets	₱546,395	₱536,432
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (note 12)	₱143,472	₱141,713
Short-term debt (note 11)	11,069	24,244
Income tax payable	1,165	1,471
Current portion of long-term debt (note 11)	5,794	5,187
Deposits and other current liabilities	10,950	15,588
Total Current Liabilities	172,450	188,203
Non Current Liabilities		
Long-term debt - net of current portion (note 11)	145,521	130,370
Pension liabilities	1,517	1,499
Deferred tax liabilities - net	4,443	4,356
Deposits and other Noncurrent Liabilities	41,123	39,321
Total Noncurrent Liabilities	192,604	175,546
Total Liabilities	365,054	363,749
Equity		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	61,627	61,562
Retained earnings	99,718	91,799
Stock options outstanding	94	89
Actuarial loss on pension liabilities	(338)	(357)
Net unrealized gain on available-for-sale financial assets	(12)	44
Equity reserves	(5,839)	(5,432)
	155,250	147,705
Non-controlling interests	26,091	24,978
Total Equity	181,341	172,683
Total Liabilities and Equity	₱546,395	₱536,432

AYALA LAND, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Millions, Except Earnings Per Share Figures)

	2017 Unaudited		2016 Unaudited	
	April 1 to June 30	**January 1 to June 30**	April 1 to June 30	January 1 to June 30
REVENUE				
Real estate	₱30,838	₱60,519	₱25,877	₱51,451
Interest and Investment Income	1,499	2,958	1,440	2,760
Equity in net earnings of associates and joint ventures	224	361	313	267
Other income	323	688	158	282
	32,883	64,526	27,788	54,760
COSTS AND EXPENSES				
Real estate	19,586	38,806	16,081	32,439
General and administrative expenses	1,717	3,521	1,630	3,307
Interest and other financing charges	1,999	3,881	1,961	3,405
Other charges	213	436	158	401
	23,515	46,644	19,830	39,552
INCOME BEFORE INCOME TAX	9,368	17,882	7,958	15,208
PROVISION FOR INCOME TAX				
Current	2,190	4,285	1,855	3,386
Deferred	285	267	253	542
	2,475	4,552	2,108	3,928
NET INCOME	₱6,893	₱13,330	₱5,850	₱11,280
Net income attributable to:				
Equity holders of Ayala Land, Inc.	₱5,948	₱11,512	₱5,032	₱9,740
Non-controlling interests	945	1,818	818	1,540
	₱6,893	₱13,330	₱5,850	₱11,280
Earnings Per Share				
Basic	₱0.40	₱0.78	₱0.34	₱0.66
Diluted	0.40	0.78	0.34	0.66

AYALA LAND, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Millions)

	2017 Unaudited		2016 Unaudited	
	April 1 to June 30	**January 1 to June 30**	April 1 to June 30	January 1 to June 30
NET INCOME	₱6,893	₱13,330	₱5,850	₱11,280
Other comprehensive income/loss				
Net unrealized gain (loss) on available-for-sale financial assets	(68)	(42)	(16)	(3)
Actuarial losses on pension liabilities	-	-	-	-
Total comprehensive income for the period	₱6,825	₱13,288	₱5,834	₱11,277
Total comprehensive income attributable to:				
Equity holders of Ayala Land, Inc.	₱5,880	₱11,470	₱5,016	₱9,737
Non-controlling interests	945	1,818	818	1,540
	₱6,825	₱13,288	₱5,834	₱11,277

AYALA LAND, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Millions)

	June 2017 Unaudited	June 2016 Unaudited
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.		
COMMON SHARES - ₱1.00 par value		
Issued:		
Balance at beginning of year	₱14,597	₱14,586
Issuance of shares	7	1
Stock options exercised	-	-
Balance at end of year	₱14,604	14,587
Subscribed:		
Balance at beginning of year	115	109
Issuance of shares	(6)	(1)
Stock options exercised	12	17
Balance at end of year	121	125
PREFERRED SHARES - ₱0.10 par value		
Issuance of shares	**1,307**	1,307
ADDITIONAL PAID-IN CAPITAL		
Balance at beginning of year	46,929	46,218
Stock options exercised	399	413
Equity issuance cost charged to APIC	0	-
Issuance of common stock	0	-
IFRS 2 - Adjustment on Share-based payments	64	75
Balance at end of year	47,392	46,706
SUBSCRIPTIONS RECEIVABLE		
Balance at beginning of year	(1,386)	(1,148)
Subscriptions	(412)	(421)
Collections	0	131
Balance at end of year	**(1,797)**	(1,438)
TOTAL PAID-UP CAPITAL	**61,627**	61,287
STOCK OPTIONS		
Balance at beginning of year	90	191
Stock options exercised	4	5
Balance at end of year	94	196
Treasury Stock	-	-
RETAINED EARNINGS		
Appropriated for future expansion	**8,000**	6,000
Unappropriated:		
Balance at beginning of year	83,799	71,952
Cash dividends	(3,593)	(3,560)
Net income	11,512	9,740
Balance at end of year	91,718	84,132
PARENT OR OTHER RESERVES	(5,839)	(5,432)
UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	(12)	(80)
REMEASUREMENT LOSS ON DEFINED BENEFIT PLANS	(338)	(461)
NON-CONTROLLING INTERESTS		
Balance at beginning of year	24,978	16,095
Net income (loss)	1,818	1,850
Increase (decrease) in non-controlling interests	(685)	(786)
Dividends paid to minority interest	(20)	(389)
Balance at end of quarter	26,091	18,032
	₱181,341	₱157,674

AYALA LAND, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	June 2017 Unaudited	June 2016 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	17,882	15,209
Adjustments for:		
Depreciation and amortization	3,166	2,936
Interest and other charges - net of amount capitalized	4,297	4,032
Equity in net earnings of investees	(361)	(267)
Interest and other income	(3,349)	(2,986)
Unrealized gain on financial assets	(55)	-
Provision for doubtful accounts	19	-
Operating income before changes in working capital	21,599	18,924
Decrease (increase) in:		
Accounts and notes receivable - trade	10,231	(17,348)
Real estate inventories	4,412	(8,827)
Other current assets	(5,280)	1,835
Increase (decrease) in:		
Accounts and other payables	1,170	20,237
Pension liabilities	38	(128)
Other current liabilities	(4,638)	6,357
Cash generated from operations	27,532	21,050
Interest received	3,338	3,032
Income tax paid	(4,373)	(5,944)
Interest paid - net of amount capitalized	(4,194)	(7,190)
Net cash provided by (used in) operating activities	22,303	10,948
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposals of (additions to):		
Land and improvements	301	(3,080)
Investments	(14,067)	(21,958)
Property and equipment	(2,802)	(746)
Short term investments	(4,676)	7
Decrease (increase) in:		
Noncurrent accounts and notes receivable - non trade	(812)	4,142
Other assets	(3,216)	(3,751)
Net cash provided by (used in) investing activities	(25,273)	(25,386)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term / long-term loans	15,785	29,944
Payments of short-term / long-term loans	(13,203)	(6,197)
Increase (decrease) in :		
Deposits and other noncurrent liabilities	1,888	(5,959)
Minority interest in consolidated subsidiaries	(685)	786
Proceeds from capital stock subscriptions	69	220
Purchase of treasury shares	-	-
Dividends paid to non-controlling interests	(20)	(389)
Dividends paid to equity holders of Ayala Land, Inc.	(3,593)	(3,560)
Net cash provided by (used in) financing activities	241	14,845
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,728)	407
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	20,904	19,087
CASH AND CASH EQUIVALENTS AT END OF PERIOD	18,176	19,494

AYALA LAND, INC. AND SUBSIDIARIES
NOTES TO INTERIM 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.

2. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2016 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2016.

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

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

The unaudited condensed consolidated financial statements are presented in Philippine peso (Php), the Group's functional currency, and rounded to the nearest millions except when otherwise indicated.

On August 07, 2017, the Audit Committee approved and authorized the release of the accompanying unaudited condensed consolidated financial statements of Ayala Land, Inc. and subsidiaries.

3. Summary of Significant Accounting Policies

<u>Changes in Accounting Policies</u>
The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2016, except for the adoption of new Standards and Interpretations enumerated below.

- Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group. *(See note 20)*

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

  These amendments are not expected to have any impact on the Group.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 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 PFRS 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 PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

  The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effectivity date.

- PFRS 9, *Financial Instruments*
  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.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The Group does not expect the amendments to have material impact on its consolidated financial statements.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  The Group does not expect the amendments to have material impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Group does not expect the amendments to have material impact on its consolidated financial statements.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. 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 PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 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 adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board 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.

4. Basis of Consolidation

The consolidated financial statements represent the consolidation of the financial statements of the Group as of December 31, 2016 and June 30, 2017.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvements with the investee and has the ability to affect the 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 return from the 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 the other contractual arrangements, and
- The Groups' 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, and
- 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 Ayala Land, Inc. (ALI) and the following wholly and majority owned subsidiaries:

Ayala Land, Inc. Subsidiaries	Effective Ownership as of June 2017	December 2016
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	**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
Ayalaland International Marketing, Inc. (AIMI)	**100**	100
Ayala Land International (Singapore) Pte. Ltd.	**100**	100
Ayalaland International Marketing (Hong Kong) Limited (ALIM HK)	**100**	100
Ayala Land International Marketing, SRL (ALIM SRL)	**100**	100
Ayala Land International Marketing London	**100**	100
Ayala Land Sales, Inc.	**100**	100
Ayala Land Malls, Inc. (formerly Solerte, Inc.)	**100**	100
AyalaLand Malls Vismin, Inc.	**100**	100
AyalaLand Malls NorthEast, Inc.	**100**	100
Southportal Properties, Inc.	**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, Limited	**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)	**55**	55
Alviera Country Club, Inc	**50**	50
Cavite Commercial Town Center, Inc.	**100**	100
AyalaLand Offices, Inc. (ALO) (formerly ALI Property Partners Corp. (APPCo))	**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
Central Block Developers, Inc.	**35**	35
ALO Prime Realty Corporation	**100**	100
Laguna Technopark, Inc. (LTI)	**75**	75
Ecozone Power Management, Inc.	**75**	75
Aurora Properties Incorporated	**80**	80
Soltea Commercial Corp.	**16**	16
Vesta Property Holdings, Inc.	**70**	70
Station Square East Commercial Corporation (SSECC)	**69**	69
Accendo Commercial Corp. (Accendo)	**67**	67
Avencosouth Corp.	**20**	20
Aviana Development Corporation	**7**	7
Aviana Development Corporation	**50**	50
Cagayan de Oro Gateway Corp. (CDOGC)	**70**	70
Ceci Realty, Inc. (Ceci)	**60**	60
Soltea Commercial Corp.	**12**	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**	60
Southgateway Development Corp. (SDC)	**100**	100
Ayalaland MetroNorth, Inc. (AMNI)	**100**	100
North Triangle Depot Commercial Corporation (NTDCC)	**73**	73
BGWest Properties, Inc. (BGW)	**50**	50
Lagdigan Land Corporation	**60**	60
Cebu Holdings, Inc. (CHI)	**67**	67
Cebu Property Ventures Development Corp and Subsidiaries	**59**	59
Cebu Leisure Company, Inc.	**67**	67
CBP Theatre Management Inc.	**67**	67
Taft Punta Engaño Property Inc. (TPEPI)	**37**	37
Cebu Insular Hotel Company, Inc. (CIHCI)	**25**	25
Solinea, Inc.	**23**	23
Amaia Southern Properties, Inc. (ASPI)	**23**	23
Southportal Properties, Inc.	**23**	23
Central Block Developers, Inc.	**38**	38
Alabang Commercial Corporation (ACC)	**50**	50
South Innovative Theater Management (SITMI)	**50**	50
ALI Commercial Center Inc.	**100**	100
Prime Orion Properties Inc.	**51**	51

FLT Prime Insurance Corporation	**37**	37
Orion Solutions, Inc.	**51**	51
Orion Holdings Philippines, Inc.	**51**	51
OE Holdings, Inc.	**51**	51
Orion Land, Inc.	**51**	51
Prow Holdings Inc	**55**	55
Ayalaland Malls Synergies, Inc.	**100**	100
Altaraza Prime Realty Corporation	**100**	100
Anvaya Cove Golf and Sports Club, Inc.	**78**	78
Anvaya Cove Beach and Nature Club, Inc.	**73**	73
Construction:		
Makati Development Corporation (MDC)	**100**	100
MDC – Subic, Inc.	**100**	100
MDC - Build Plus, Inc.	**100**	100
MDC Conqrete, Inc. (MCI)	**100**	100
MDC Equipment Solutions, Inc. (MESI)	**100**	100
MDC Triangle, Inc	**67**	-
Hotels and Resorts:		
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.)	**80**	80
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	**80**	80
Asian Conservation Company Limited and Subsidiary	**100**	100
Enjay Hotels, Inc. (Enjay)	**100**	100
Greenhaven Property Venture, Inc. (GPVI)	**100**	100
Cebu Insular Hotel Company, Inc. (CIHCI)	**63**	63
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**	100
ALI Makati Hotel & Residences, Inc. (formerly KHI-ALI Manila, Inc.)	**20**	20
ALI Makati Hotel Property, Inc. (formerly KHI Manila Property, Inc.)	**20**	20
Ten Knots Phils., Inc. (TKPI)	**60**	60
Bacuit Bay Development Corporation	**60**	60
Lio Resort Ventures Inc.	**60**	60
North Liberty Resort Ventures Inc.	**60**	60
Paragua Eco-Resort Ventures Inc.	**60**	60
Ten Knots Development, Corp. (TKDC)	**60**	60
Chirica Resorts Corp.	**60**	60
Kingfisher Capital Resources Corp.	**60**	60
Pangalusian Island Resort Corporation	**60**	60
Property Management:		
Ayala Property Management Corporation (APMC)	**100**	100
Prime Support Services, Inc.	**100**	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:		
ALInet.com, Inc. (ALInet)	**100**	100
First Longfield Investments Limited (First Longfield) (Hongkong company)	**100**	100
Green Horizons Holdings Limited	**100**	100
Aprisa Business Process Solutions, Inc. (Aprisa)	**100**	100
AyalaLand Club Management, Inc.	**100**	100

ALI Capital Corp. (formerly Varejo Corp.)	**100**	100
Integrated Eco-resort Inc.	**100**	100
Airswift Transport, Inc. (formerly Island Transvoyager, Inc.)	**100**	100
Verde Golf Development Corporation	**100**	100
Ayalaland Medical Facilities Leasing Inc. (Ayala Land Healthcare Leasing Inc.)	**100**	100
Whiteknight Holdings, Inc. (WHI)	**100**	100
Next Urban Alliance Development Corp.	**100**	100
Arca South Integrated Terminal Inc.	**100**	100

5. Cash and Cash Equivalents

This account consists of the following:

(in million pesos)	**June 30, 2017 (Unaudited)**	**December 31, 2016 (Audited)**
Cash on Hand	**P51**	P53
Cash in Banks	**6,944**	9,166
Cash Equivalents	**11,181**	11,685
TOTAL	**P18,176**	**P20,904**

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 investment rates.

6. 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.

7. Financial Assets at FVPL

This pertains to the Investment in ARCH Capital Funds 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.

8. Accounts and Notes Receivables

The account consists of:

(in million pesos)	June 30, 2017	December 31, 2016
Trade:		
Residential and office development	₱65,043	₱79,300
Construction contracts	1,056	2,711
Shopping centers	6,689	2,558
Corporate business	2,260	2,542
Management fees	284	309
Others	3,182	908
Advances to other companies	24,162	26,166
Advances to contractors and suppliers	16,410	14,085
Accrued receivables	3,807	3,355
Receivables from related parties (Note 25)	772	1,117
Receivables from employees	679	740
	124,344	133,791
Less allowance for impairment losses	1,170	1,190
	123,174	132,601
Less noncurrent portion	28,487	35,133
	₱94,687	**₱97,468**

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

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.

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.

Advances to contractors and suppliers are recouped upon every progress billing payment depending on the percentage of accomplishment or delivery.

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.

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.

Below is the aging analysis of receivables based on collectibility.

Aging of Receivables

As of June 30, 2017 (in million pesos)	Up to 6 months	Over 6 months to One Year	Over One Year	Past Due	Total
Trade Receivables	₱57,035	₱12,197	₱27,706	₱8,968	₱105,906
Nontrade Receivables	7,396	9,091	781	-	17,268
Total	₱64,431	₱21,288	₱28,487	₱8,968	₱123,174

9. 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).

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

10. Investment in Associates and Joint Ventures

The Company considers 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 as of the 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 associates with material interest as follows:

Ortigas Holdings, Inc.	**As of June 30, 2017 (in million pesos)**
Current assets	11,859
Noncurrent assets	11,129
Current liabilities	6,083
Noncurrent liabilities	12,177
Negative Goodwill	148
Revenue	2,607
Profit or loss from continuing operations	1,162

The purchase price allocation of Ortigas Holdings, Inc. (OHI) has been prepared using the appraisal values of the OHI landbank as of May 2016. The negative goodwill amounting to P148.0 million was included under "Other income". Below refers to its computation:

	(in million pesos)
Total Net Assets acquired	7,338
Acquisition Cost	7,190
Negative Goodwill	148

Bonifacio Land	As of June 30, 2017 (in million pesos)
Current assets	15,768
Noncurrent assets	30,293
Current liabilities	5,267
Noncurrent liabilities	7,991
Revenue	3,799
Profit or loss from continuing operation	1,437

MCT BHd	As of June 30, 2017 (in million pesos)
Current assets	8,220
Noncurrent assets	7,970
Current liabilities	4,273
Noncurrent liabilities	2,428
Revenue	3,797
Profit or loss from continuing operation	510

The Group exercises joint control over the following entities:

- SIAL Specialty Retailers, Inc.
- SIAL CVS Retailers, Inc.
- Ayala Gold Retailers, Inc.
- Cebu District Property Enterprise, Inc.
- Emerging City Holdings, Inc.
- Bershires Holdings, Inc.
- Alveo-Federal Land Communities, Inc.
- ALI-ETON Property Development Corporation

11. Short-Term and Long-Term Debt

The short-term debt of P11.1 billion and P24.2 billion as of June 30, 2017 and December 31, 2016, respectively, represents secured and unsecured peso-denominated 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 P1.2B and P5.7B as of June 30, 2017 and December 31, 2016, respectively, are secured by real estate mortgages dated March 14, 2016 and September 2, 2014 covering certain properties of the Company.

Interest rates for short-term loans are as follows:

	June 30, 2017	December 2016
Philippine Peso	2.3% to 3.0%	2.1% to 3.0%
US Dollar	-	-

Long-term debt consists of:

(in thousand pesos)	**June 30, 2017**	December 31, 2016
Company:		
Bonds:		
Due 2019	₱12,342,750	₱12,350,000
Due 2020	4,000,000	4,000,000
Due 2022	12,650,000	12,650,000
Due 2023	7,000,000	7,000,000
Due 2024	15,000,000	15,000,000
Due 2025	15,000,000	15,000,000
Due 2026	8,000,000	8,000,000
Due 2027	7,000,000	-
Due 2033	2,000,000	2,000,000
Fixed Rate Corporate Notes (FXCNs)	9,089,000	9,131,818
PHP-denominated long-term loan	25,022,442	15,184,921
USD-denominated long-term loan	1,760,141	1,957,725
	118,864,333	102,274,464
Subsidiaries:		
Bonds		
Due 2021	₱5,000,000	₱5,0000,000
Bank Loans – Philippine Peso	24,803,502	25,558,232
FXCNs	3,318,750	3,362,500
	33,122,252	33.920,732
	151,986,585	136,195,196
Less: Unamortized Transaction Costs	671,731	638,208
	151,314,854	135,556,988
Less: Current Portion	5,794,325	5,187,111
	₱145,520,529	**₱130,369,877**

Company

Philippine Peso Homestarter Bond due 2019
In October 2016, the Company issued at an aggregate principal amount of ₱3,000.0 million of bonds representing the first tranche of the Homestareter Bond series registered under the Company's ₱50 Billion Debt Securities Program as approved by the SEC in March 2016. The bonds have a term of three (3) years from the issue date, and bear interest on its principal amount at a fixed rate of 3.00% p.a. Interest is payable semi-annually or on the date of effectivity of an Early Downpayment Application, as may be applicable, less the amount of any applicable withholding taxes. The bond was the first Homestarter Bond listed on the PDEx.

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 10-year Fixed Rate Bonds due 2026
In March 2016, a registration statement filed by the Company covering the ₱50 Billion Debt Securities Program was rendered effective by the SEC. Under which, the Company issued the first tranche of Fixed Rate Bond series amounting to ₱8,000.0 million due 2026 at a rate equivalent to 4.85% 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 9.5-year Fixed Rate Bonds due 2025
In April 2016, the Company issued a total of ₱7,000.0 million bonds due 2025 at a fixed rate equivalent to 4.75% 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 bond issue is the second tranche of the Fixed Rate Bond series registered under the Company's ₱50 Billion Debt Securities Program as approved by the SEC in March 2016.

Philippine Peso 7-year Fixed Rate Bonds due 2023
In October 2016, the Company issued a total of ₱7,000.0 million bonds due 2023 at a fixed rate equivalent to 3.8915% 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 bond issue is the third tranche of the Fixed Rate Bond series registered under the Company's ₱50 Billion Debt Securities Program as approved by the SEC in March 2016.

Philippine Peso 10-year Fixed Rate Bonds due 2027
In May 2017, the Company issued a total of ₱7,000.0 million bonds due 2027 at a fixed rate equivalent to 5.2624% p.a. The Bonds have been rated PRS Aaa by PhilRatings, which is considered the highest quality with minimal credit risk. The bond issue is the fourth tranche of the Fixed Rate Bond series registered under the Company's ₱50 Billion Debt Securities Program as approved by the SEC in March 2016.

Philippine Peso 7-year FRCN due 2016
In October 2009, the Company executed a ₱1,000.0 million committed FRCN facility with a local bank, of which an initial ₱10.0 million was drawn on October 12, 2009. The balance of ₱990.0 million was subsequently drawn on November 18, 2011. The FRCN bears a floating interest rate based on the 3-month PDST-R1 plus a spread of 0.96%, repriceable quarterly. The FRCNs were fully paid in October 12, 2016.

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), repriceable 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. In March 2016, a total of US$25.0 million in principal were prepaid.

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. In March 2016, the Company additionally assumed from ALI Makati Hotel Property, Inc. US$30.0 million in long-term loans from the Bank of the Philippine Islands. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR) and is repriceable quarterly.

In March 2017, the Company executed a ₱10,000.0 billion long-term facility and had an initial drawdown of ₱5,000.0 billion. The loan has a fixed interest rate of 4.949% for 10 years inclusive of Gross Receipt Tax (GRT). The balance of ₱5,000.0 billion was drawn in April 2017.

<u>Subsidiaries</u>

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 2.7066% to 5.8858% 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. In compliance with BSP ruling on directors, officers, stockholders and related interests, certain credit facilities with a total carrying value of ₱ 11,030.8 million and ₱11,746.9 million as of June 30, 2017 and December 31, 2016, 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. issued 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 June 30, 2017 and December 31, 2016.

12. Accounts and Other Payables

The accounts and other payables as of June 30, 2017 is broken down as follows:

Accounts and other payables	**As of June 30, 2017 (in million pesos)**	**As of December 31, 2016 (In million pesos)**
Accounts Payable	87,164	84,690
Taxes payable	19,376	16,024
Accrued project cost	14,466	15,219
Liability for purchased land	3,400	6,257
Accrued salaries & employee benefits	6,498	4,840
Accrued - Professional & Management	598	3,021
Accrued - Light & Water	2,725	2,183
Accrued - Repairs & maintenance	1,514	1,878
Interest payable	1,630	1,526
Accrued – Rental	1,377	1,392
Accrued - Advertising & Promo	1,343	1,243
Payable to related parties	457	669
Dividend payable	422	426
Retention payable	121	345
DRP obligation	223	223
Accrued Expenses	2,158	1,777
Total	**143,472**	141,713

Below is the aging analysis of payables.

Aging of Payables

As of June 30, 2017 (in million pesos)	Up to 6 months	Over 6 months to One Year	Over One Year	Past Due	Total
Trade Payables	₱55,290	₱11,912	₱36,393	-	₱103,595
Nontrade Payables	65,941	22,444	10,691	-	99,075
Total	₱121,231	₱34,356	₱47,084	-	**₱202,670**

13. Equity

On February 20, 2017, the Board of Directors during its meeting approved the declaration the declaration of cash dividends of P0.24 per outstanding common share**.** This first half regular cash dividends, together with the planned second semester cash dividends, will bring our annual dividend payout ratio to 34% of prior year's earnings. The cash dividend was paid on March 22, 2017 to stockholders of common shares as of record date March 6, 2017. The declaration of the annual cash dividends of 4.74786% per annum or P0.00474786 per share to all shareholders of the Company's unlisted voting preferred shares. The payment date was made on June 29, 2017 to stockholders of said preferred shares on record as of June 15, 2017.

On June 27, 2017, Prime Orion Phil, Inc. (POPI) sells 512.4 million common shares to Orion Land, Inc, a 100% subsidiary of POPI for a total consideration of P1,257.3 million. The transaction was accounted for as an equity transaction which resulted into negative equity reserves of P405.18 million.

14. 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 provide the total amount of transactions that have been entered into with related party for the relevant financial year:

a. Transactions with BPI, an associate of AC

As of June 30, 2017, and December 31, 2016, the Group maintains current and savings account, money market placements and short/long-term debt payable with BPI broken down as follows:

(in million pesos)	**June 30, 2017** **Unaudited**	December 31, 2016 Audited
Cash in bank	**P3,173**	P2,790
Cash equivalents	**4,567**	3,361
Financial asset at FVPL	**3,047**	978
Short-term debt	**1,240**	5,669
Long-term debt	**12,611**	17,342

b. Outstanding balances from/to related parties

	Receivables from Related Parties		Payables to Related Parties	
In million pesos	**June 2017**	**December 2016**	**June 2017**	**December 2016**
Parent Company	P97	P99	P87	P73
Associates	1	231	238	253
Other related parties:				
FBDC	371	455	-	1
Globe Telecom (Globe)	132	234	2	6
Innove Communications, Inc.	2	-	7	7
BPI	50	53	44	47
Columbus	-	-	-	267
Others	119	45	79	15
	674	787	132	343
Total	P772	P1,117	P457	P669

c. Revenues and expenses from/to related parties

	Revenues from related parties		Expenses to related parties	
In million pesos	**June 2017**	June 2016	**June 2017**	June 2016
Parent Company	4	4	4	2
Associates	214	68	63	4
Other related parties:				
BPI	90	88	107	16
Globe Telecom, Inc.	57	24	22	26
Innove Communications, Inc.	-	4	22	19
MWCI	1	-	106	95
Psi Technologies	62	51	-	-
Others	1	4	127	172
	211	171	384	328
Total	429	243	451	334

15. Segment information

The industry segments where the Group and its associates and joint ventures operate follow:

- 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

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

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

- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants

- Strategic land bank management and Visayas-Mindanao - acquisition, development and sale of large-scale, mixed-use, master planned communities; sale of override units or the Company's share in properties made available to subsidiaries for development. 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

- Property management - facilities management of the Group and third-party projects

- Others - other income from investment activities and sale of noncore 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.

YTD June 2017	Shopping Centers	Corporate Businesses	Property Development	Strategic Landbank Management and Visayas Mindanao	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustmemt	Consolidated
(in million pesos)										
Revenues										
Sales to external customers	7,897	2,787	40,135	3,875	871	3,686	1,268	0	0	60,519
Intersegment sales	505	91	2,125	32	31,124	0	193	0	(34,070)	0
Equity in net earnings of Investees	83	0	20	236	0	0	0	22	0	361
Total Revenues	**8,485**	**2,878**	**42,280**	**4,143**	**31,995**	**3,686**	**1,461**	**22**	**(34,070)**	**60,880**
Operating Expenses	4,615	1,025	32,386	3,351	29,760	2,556	1,452	427	(33,226)	42,346
Operating Profit	**3,870**	**1,853**	**9,894**	**792**	**2,235**	**1,130**	**9**	**(405)**	**(844)**	**18,534**
Interest income	-	-	-	-	-	-	-	-	-	2,958
Interest expense	-	-	-	-	-	-	-	-	-	(3,881)
Other income (expense)	-	-	-	-	-	-	-	-	-	271
Provision for income tax	-	-	-	-	-	-	-	-	-	(4,552)
Net Income	-	-	-	-	-	-	-	-	-	13,330
Net Income attributable to:										
Equity holders of Ayala Land, Inc.	-	-	-	-	-	-	-	-	-	11,512
Minority interests	-	-	-	-	-	-	-	-	-	1,818
										13,330
Other information										
Segment assets	84,735	47,497	326,118	144,424	47,945	37,749	7,429	84,622	(269,717)	510,802
Investment in associates and jointly controlled entities	7,609	210	632	9,051	0	0	0	7,994	0	25,496
Deferred tax assets	422	102	2,022	357	38	398	27	2,124	4,607	10,097
Total assets	**92,766**	**47,809**	**328,772**	**153,832**	**47,983**	**38,147**	**7,456**	**94,740**	**(265,110)**	**546,395**
Segment liabilities	71,845	33,883	156,192	115,358	41,030	26,455	4,036	17,252	(105,438)	360,613
Deferred tax liabilities	227	24	2,178	335	0	39	16	12	1,612	4,443
Total liabilities	**72,072**	**33,907**	**158,370**	**115,693**	**41,030**	**26,494**	**4,052**	**17,264**	**(103,826)**	**365,056**
Segment additions to Property & Equipment	148	3	56	252	499	2,635	9	1	0	3,603
Investment properties	6,151	5,377	37	972	138	807	0	3	0	13,485
Depreciation and amortization	864	361	118	353	765	312	87	307	0	3,167

YTD June 2016	Shopping Centers	Corporate Businesses	Property Development	Strategic Landbank Management and Visayas Mindanao	Construction	Hotels and Resorts	Property Management and Others	Corporate	Intersegment Adjustmemt	Consolidated
(in million pesos)										
Revenues										
Sales to external customers	7,392	2,442	31,752	1,945	4,379	2,812	729	0	0	51,451
Intersegment sales	337	0	1,745	(201)	26,603	0	331	0	(28,815)	0
Equity in net earnings of Investees	(230)	0	0	136	0	0	0	362	0	268
Total Revenues	**7,499**	**2,442**	**33,497**	**1,880**	**30,982**	**2,812**	**1,060**	**362**	**(28,815)**	**51,719**
Operating Expenses	4,063	880	24,718	1,512	29,293	2,103	1,007	653	(28,482)	35,747
Operating Profit	**3,436**	**1,562**	**8,779**	**368**	**1,689**	**709**	**53**	**(291)**	**(333)**	**15,972**
Interest income	-	-	-	-	-	-	-	-	-	2,760
Interest expense	-	-	-	-	-	-	-	-	-	(3,405)
Other income (expense)	-	-	-	-	-	-	-	-	-	(119)
Provision for income tax	-	-	-	-	-	-	-	-	-	(3,928)
Net Income	-	-	-	-	-	-	-	-	-	**11,280**
Net Income attributable to:										
Equity holders of Ayala Land, Inc.	-	-	-	-	-	-	-	-	-	9,740
Minority interests	-	-	-	-	-	-	-	-	-	1,540
										11,280
Other information										
Segment assets	78,310	55,249	328,826	133,451	48,930	24,308	5,429	23,639	(240,521)	457,621
Investment in associates and jointly controlled entities	52	0	589	9,217	0	0	0	14,443	0	24,301
Deferred tax assets	287	99	1,639	390	31	287	28	1,537	3,080	7,378
Total assets	**78,649**	**55,348**	**331,054**	**143,058**	**48,961**	**24,595**	**5,457**	**39,619**	**(237,441)**	**489,300**
Segment liabilities	60,525	18,476	167,437	102,783	43,659	11,688	3,805	18,667	(98,027)	329,013
Deferred tax liabilities	21	30	1,807	452	0	479	15	0	(191)	2,613
Total liabilities	**60,546**	**18,506**	**169,244**	**103,235**	**43,659**	**12,167**	**3,820**	**18,667**	**(98,218)**	**331,626**
Segment additions to Property & Equipment	1,900	18	54	81	1,420	(164)	1,253	1	0	4,563
Investment properties	8,913	1,953	0	1,166	0	723	0	180	0	12,935
Depreciation and amortization	851	385	124	422	738	281	82	53	0	2,936

16. Commitment

Ayala Land, Inc. (ALI), Ayala Corporation, BPI Capital Corporation, a wholly-owned subsidiary of the Bank of the Philippine Islands, and Kickstart Ventures Inc., a wholly-owned subsidiary of Globe Telecom Inc., signed an investment agreement to acquire a 1.91% ownership stake in BF Jade E-Service Philippines, Inc, the owner and operator of the online fashion platform Zalora Philippines (Zalora), subject to the fulfillment of certain conditions precedent, including obtaining the approval or deemed approval of the Philippine Competition Commission.

17. Events after the Reporting Date

On July 17, 2017, ALI issued and listed on the Philippine Dealing and Exchange Corporation P4.3 billion of Short Dated Notes due in 2019 carrying a fixed coupon of 2.75% p.a, the notes having been distributed to Qualified Institutional Buyers, are exempt from the registration requirement of the Securities and Exchange Commission.

In July 2017, purchase price allocation of Prime Orion Phil, Inc. (POPI) has been finalized. There was no adjustment in the provisional accounting made in 2016. The final purchase price allocation resulted to a negative goodwill of P188.1M.

18. 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 as of June 30, 2017.

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 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.

Credit risk

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.

Interest rate risk

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.

Foreign currency risk

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. The Group’s placements in foreign currencies and the amount of foreign currency-denominated debt are minimal. As such, the Group’s foreign currency risk is minimal.

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.

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Groups financial assets and liabilities recognized as of June 30, 2017 and December 31, 2016.

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

Cash & 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 relatively short term maturities of these financial instruments.

Financial assets at FVPL- UITF - These are investment in fund. Fair value is based of the net assets values as of reporting dates.

Noncurrent accounts and notes receivables- The fair values of residential accounts and notes receivable from employees, are based on the discounted value of future cash flow using the applicable rates for similar types of instruments. The discount rates used ranged from 0.66% to 5% and 1.5% to 6.39% as of June 30, 2017 and December 31, 2016.

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

AFS unquoted equity securities - These are carried at cost less allowance for impairment losses because fair values 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 from 1.8% to 5.3% and .19% to 6.52% as of June 30, 2017 and December 31, 2016, respectively. The fair value of non-current unquoted debt instruments with floating rates as estimated using the discounted cash flow- last pricing method.

19. Fair Value Hierarchy

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 actives markets for identical assets and liabilities

Level 2. Other techniques for which all inputs which have significant effect of the recorded fair value are observable, either directly or indirectly.

Level 3. Techniques which use inputs which have 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, receivables from employees, long term debt and deposits and other non-current liabilities under level 3. 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 un-observable input and the effect of changes to this is that the higher spread, the lower the fair value.

There have been no reclassifications from level 1 to Level 2 categories in June 30, 2017 and December 31, 2016.

	June 30, 2017			**December 31, 2016**	
	Carrying Value	**Fair Value**		**Carrying Value**	**Fair Value**
			(In millions)		
Financial Asset at FVPL	949	949		1,965	1,965
Available-for-Sale Financial Assets					
Unquoted equity securities	362	362		537	537
Quoted equity securities	1,289	1,289		848	848
	₱ 2,600	₱ 2,600	-	₱ 3,350	₱ 3,350
Loans and Receivables					
Trade residential and office development	75,356	76,821		79,286	79,619
Receivables from employees	679	679		740	740
	₱ 76,035	₱ 77,500	-	₱ 80,026	₱ 80,359
Other Financial Liabilities					
Long-term debt	151,315	152,154		135,557	135,188
Deposits and other noncurrent liabilities	29,152	28,818		19,059	18,961
	₱ 180,467	₱ 180,972	-	₱ 154,616	₱ 154,149

The following table provides the fair value hierarchy of the Group's financial assets which are measured at fair value as of June 30, 2017 and December 31, 2016:

June 30, 2017	Date of valuation	Total	Quoted prices in Active markets (Level 1)	Significant observable inputs (Level 2)	Significant observable inputs (Level 3)
Financial assets as fair value through profit or loss			(In millions)		
Investment in Unit Investment Trust Fund (UITF)	December 31, 2016	₱ 475	₱ -	₱ 475	₱ -
Investment in Arch Capital Fund	March 31, 2017	474	-	-	474
		949	-	475	474
Available for sale financial assets					
Quoted	June 30, 2017	₱ 1,289	₱ 1,289	₱ -	₱ -
Unquoted	June 30, 2017	362	-	-	362
		1,651	1,289	-	362
		2,600	1,289	475	836

December 31, 2016	Date of valuation	Total	Quoted prices in Active markets (Level 1)	Significant observable inputs p (Level 2)	Significant observable inputs (Level 3)
Financial assets as fair value through profit or loss			(In thousands)		
Investment in Unit Investment Trust Fund (UITF)	December 31, 2016	₱ 1,529		₱ 1,529	
Investment in Arch Capital Fund	September 30, 2016	435			435
		1,964	-	1,529	435
Available for sale financial assets					
Quoted	December 31, 2016	₱ 848	₱ 848		
Unquoted	December 31, 2016	537			537
		1,385	848	-	537
		3,349	848	1,529	972

RECONCILIATION

A reconciliation of the beginning and closing balances of Level 3 financial assets are summarized below:

In millions	2017	2016
At the beginning of period	₱ 973	₱ 794
Additions	38	187
Disposals/redemptions	(175)	(9)
Recognized in statement of income		1
recognized in other comprehensive income		0
At end of the period	**836**	**973**

20. Statement of Cash flows

Disclose here the roll forward of liabilities under financing activities (PAS 7 disclosures on cash flows)

PAS 7, Statement of Cash flows
(in millions)

	2016	Cash flows	Non-cash changes	Foreign exchange movement	Fair value changes	2017
Longterm borrowings	130,370	15,151				145,521
Current Portion of Longterm borrowings	5,187	607				5,794
short term borrowings	24,244	(13,175)				11,069
Dividends Payable	426	(4)				422
Deposits & Other noncurrent liabilties	43,678	1,888				45,566
Total liabilities from financing activities	**203,905**	**4,467**	**0**	**0**	**0**	**208,372**

Item 2. Management's Discussion on Results of Operations and Analysis of Financial Condition

Results of Operations for the Six Months Ended June 30, 2017

<u>Review of 1H 2017 operations vs 1H 2016</u>

Ayala Land, Inc. (ALI or "the Company") generated a net income after tax (attributable to equity holders of ALI) of P11.51 billion in the first six months of 2017, 18% higher than P9.74 billion posted in the same period in 2016. Consolidated revenues reached P64.53 billion, 18% higher than P54.76 billion posted in the same period last year. Revenues from Real Estate increased by 18% to P60.52 billion driven by the strong performance of the Property Development, Commercial Leasing and Services businesses during the period.

The ratio of General and Administrative Expenses (GAE) to revenues improved further to 5.5% from 6.0% while the Earnings before Interest and Taxes (EBIT) margin stood unchanged at 31%.

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, and office spaces, as well as commercial and industrial lots.

Total revenues from Property Development amounted to P44.30 billion, 32% higher than P33.66 billion in the same period in 2016.

Residential. Revenues from the sale of residential lots and units reached P36.77 billion, 27% higher than P28.97 billion posted in the same period last year, driven by bookings and project completion across all residential brands.

Ayala Land Premier (ALP) posted a 33% growth in bookings while revenues reached P10.14 billion, 11% lower than P11.35 billion last year as majority of new bookings came from projects with lower completion.

Alveo posted revenues of P13.14 billion, 82% higher than P7.23 billion last year from bookings of Ardia in Vermosa, Imus, Cavite and significant completion of existing projects such as Montala in Alviera, Pampanga, Kroma in Makati, Two Maridien and Verve Residences 2 in Bonifacio Global City, Taguig and Mondia in Nuvali, Sta Rosa, Laguna.

Avida registered revenues of P9.75 billion, 23% higher than P7.91 billion last year driven by higher bookings and the completion progress of Asten Tower 1 and 2 in Makati, Vita Tower 3 in Vertis North, Quezon City, The Montane, Avida Tower Verte, Avida Towers The Turf and Avida Towers BGC 34th Tower 2 in Bonifacio Global City, Taguig and Riala Tower 3 in Cebu.

Amaia generated revenues of P2.65 billion, 71% higher than P1.55 billion from higher bookings and completion progress of Steps Nuvali Parkway, Skies Shaw in Mandaluyong, Skies Avenida in Manila and Steps Alabang in Muntinlupa. BellaVita meanwhile posted a 9% growth in bookings while revenues reached P255 million, 12% lower than P290 million last year mainly due lower completion of sold projects.

Residential Gross Profit (GP) margins of horizontal projects improved to 44% from 42% due to higher margins from Vermosa projects such as The Courtyards and Ardia and Montala in Alviera while gross profit margins of vertical developments slightly decreased to 35% from 36% due to mix of sold units.

Office for Sale. Revenues from the sale of office spaces reached P4.19 billion, 36% higher than P3.09 billion in 2016 driven by bookings from Alveo's High Street South Corporate Plaza 2 and Alveo Financial Tower and Avida's Capital House and One Park Drive. Gross profit margins of offices for sale increased to 40% from 39% driven by higher margins from High Street South Corporate Plaza Towers 1 and 2 and Alveo Park Triangle Tower.

Commercial and Industrial Lots. Revenues from the sale of commercial and industrial lots reached P3.34 billion, almost a double in growth from P1.60 billion last year driven by lot sales in Vermosa and Naic, Cavite and Arca South Taguig. Gross profit margins of Commercial and Industrial lots decreased to 33% from 56% due to the higher contribution of lower margin industrial lots in Cavite and commercial lots in Arca and Vermosa

Reservation sales reached P61.37 billion, 11% higher than P55.12 billion last year, translating to an average of P10.2 billion in monthly sales while net booked sales registered at P40.51 billion, 22% higher than P33.34 billion last year.

Commercial Leasing This includes the Company's Shopping Centers and Office Leasing as well as Hotels and Resorts operations.

Total revenues from commercial leasing amounted to P14.17 billion, 11% higher than P12.76 billion last year.

Shopping Centers. Revenues from Shopping Centers reached P7.85 billion, 12% higher than P6.98 billion last year due to the contribution of newly opened Malls The 30th, Tutuban Center, UPTC.

Shopping Centers EBITDA margin decreased to 66% from 68% due to lower margins from newly opened malls.

The average monthly mall lease rate registered at P1,106 per square meter while same mall rental growth is at 5%. The average occupancy rate for all malls is at 91% while the occupancy rate for stable malls is at 97%. Total gross leasable area (GLA) of Shopping Centers registered at 1.66 million square meters as of June 30, 2017 with the opening of Ayala Malls Vertis North in Quezon City with a total GLA of 40 thousand square meters.

Offices. Revenues from Office Leasing reached P2.93 billion, 14% higher than P2.58 billion last year due to the contribution of new offices such as UP Town Center in Quezon City, Centrio BPO in Cagayan de Oro, and Ayala Center Cebu Corporate Center, and the higher occupancy and average rental rates of existing offices such as One and Two Evotech Towers in Nuvali, and Alabang Town Center BPO in Alabang.

Office Leasing EBITDA margin lightly improved to 91% from 90% due to the better performance of established offices.

The average monthly office lease rates registered at P729 per square meter. The average occupancy rate for all offices is at 87% while the occupancy rate for stable offices is at 97%. Total GLA of Office Leasing registered at 836 thousand square meters as of June 2017.

Hotels and Resorts. Revenues from Hotels and Resorts reached P3.40 billion, 6% higher than P3.19 billion last year. Revenue-per-available-room (REVPAR) of hotels decreased by 11% to P3,548 per night while REVPAR of resorts increased by 4% to P9,470 per night.

Hotels and Resorts EBITDA margin registered at 29%, lower than the 32% posted during the same period last year due to the lower occupancy of its internationally branded hotels in Makati.

The average room rate of hotels is at P5,102 per night while the average room rate of resorts is at P14,368 per night. The average occupancy rate of hotels registered at 70% while resorts registered at 66% during the period.

Hotels and Resorts currently operates 961 hotel rooms from its internationally branded segment; Cebu City Marriott, Fairmont Hotel and Raffles Residences Makati and Holiday Inn & Suites Makati, 1,255 rooms from Seda Hotels located in Atria in Iloilo, BGC in Taguig, Centrio in Cagayan de Oro, Abreeza in Davao, Nuvali in Santa Rosa Laguna and Vertis North in Quezon City, and 213 island resort rooms from El Nido Resorts in Lagen, Miniloc, Apulit and Pangulasian Islands and El Nido Cove, and 42 rooms at Lio Tourism Estate in Palawan and 6 rooms in Sicogon Tourism Estate in Iloilo. The Hotels and Resorts portfolio registered a total of 2,477 rooms as of June 2017 with the opening of Seda Vertis North which has 438 rooms.

Services. This includes the Company's wholly-owned Construction and Property Management companies, Makati Development Corporation and Ayala Property Management Corporation.

Total revenues from the services business amounted to P32.81 billion, 3% higher than P31.71 billion in 2016.

Construction. Revenues from construction reached P32.00 billion, 3% higher than P30.98 billion from the increase in order book of projects form the Ayala Land Group.

Property Management. Revenues from Property Management registered at P816 million, 12% higher than P729 million last year.

Blended EBITDA margins of the Services businesses slightly improved to 10% from 9% in the previous year.

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

Equity in net earnings of associates and JVs registered a gain of 35% to P361 million from P267 million last year mainly from the contribution of its various investments while Interest, Investment and Other Income reached P3.65 billion mainly due to higher interest income from installment sales, banks and advances to other companies.

Expenses

Total expenses registered at P46.64 billion, 18% higher than P39.55 billion last year mainly driven by Real Estate and Hotels expenses which grew 20% to P38.81 billion from P32.44 billion last year.

General and Administrative Expenses (GAE) grew by 6% to P3.52 billion from P3.31 billion last year while GAE-to-revenue ratio further improved to 5.5% from 6.0% last year.

Interest Expense, Financing and Other Charges meanwhile registered at P4.32 billion, 13% higher than P3.81 billion, mainly attributed to higher interest expense resulting from a higher average daily loan balance.

Project and Capital Expenditure

Ayala Land spent a total of P41.59 billion for project and capital expenditures as of June 2017. 48% was spent on the completion of residential projects and 33% was spent on commercial leasing projects. 12% was spent on land acquisition, new businesses, services and other investments while 7% was spent on the development of its estates.

Financial Condition

Ayala Land posted a solid balance sheet position in the first six months of 2017 which provides adequate capacity to support its growth plans in the coming years.

Cash and Cash Equivalents stood at P18.18 billion resulting in a current ratio of 1.23:1.

Total Borrowings stood at P162.38 billion as of June 2017 from P159.80 billion as of December 2016. This translated to a Debt-to-Equity Ratio of 0.90:1 and a Net Debt-to-Equity Ratio of 0.76:1.

Return on Equity was at 15.2% as of June 2016.

	End-June 2017	*End-December 2016*
Current ratio [1]	1.23:1	1.12:1
Debt-to-equity ratio [2]	0.90:1	0.93:1
Net debt-to-equity ratio [3]	0.76:1	0.79:1
Profitability Ratios:		
Return on assets [4]	4.9%	5.0%
Return on equity [5]	15.2%	14.9%
Asset to Equity ratio [6]	3.01:1	3.11:1
Interest Rate Coverage Ratio [7]	5.8	5.9

1 Current assets / current liabilities
2 Total debt/ consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
3 Net debt/ consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short term investments and financial assets through fvpl)
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 obligations that are 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 2017.

Causes for any material changes (+/- 5% or more) in the financial statements

<u>Income Statement items</u> **– June 2017 versus June 2016**

Real estate revenues up by 18% primarily due to increase in sales bookings, incremental project completion of residential projects and improved performance of malls, leasing and hotels & resorts business groups.

Equity in net earnings of associates and joint ventures higher by 35% mainly due to higher NIAT contribution from FBDC companies.

Interest and Investment Income improved by 7% due to increase in interest income from installment sales, banks and advances to other companies.

Other Income grew by 144% due to higher management fees and the one-time take up of negative goodwill from purchase price allocation on ALI's investment in OCLP Holdings Inc..

Real estate costs increased by 20% was attributed to higher sales and incremental project completion coming from residential, malls, leasing and hotels & resorts business segments.

General and administrative expenses higher by 6% primarily due to increase in contracted services.

Interest and other financing charges up by 13% mainly due to higher borrowings to finance various capital expenditures.

Provision for income tax increased by 16% largely due to higher taxable income primarily from real estate.

<u>Balance Sheet items</u> – June 2017 versus December 2016

Cash and cash equivalents down by 13% largely due to various capital expenditures, i.e. land acquisitions and project development disbursements for residential, malls, hotels & resorts, and offices.

Short term investments higher by P5.69B primarily due to additional money market placements of MDC, AHI, Serendra, Avida, RLC, BGWest and Alveo.

Financial assets at fair value through profit or loss lower by 52% mainly due to the maturity of MDC, APMC, BG West, POPI and CHI's UITF investment placements.

Real estate Inventories decreased by 5% primarily due to higher sales of residential brands and transfers to investment properties.

Other current assets up by 22% due to increase in input VAT and CWT mainly from residential projects and various prepayments (Taxes & Licenses, Ads and Promo, Marketing and Management fees, etc.).

Non-current accounts and notes receivable declined by 19% mainly from higher collections from customers.

Available-for-sale financial assets improved by 19% largely due to higher investments from POPI and ALI Capital.

Investment properties up by 8% primarily due to the additional project costs on new and existing malls, buildings for lease and hotels.

Property and equipment better by 10% mainly coming from the increase in Hotel PPE and ALI Capital (Airswift).

Other non-current assets up by 16% due to the increase in prepaid costs incurred for the unlaunched projects.

Short-term debt down by 54% largely due to ALI, Avida, and Alveo's payment of short-term unsecured peso denominated bank loan availments.

Income tax payable decreased by 21% mainly due to settlement of year-end income taxes.

Deposit and other current liabilities declined by 30% due to the decrease in customers' deposits from real estate customers who reached the 10% threshold for sales bookings.

Current portion of long-term debt higher by 12% due to incremental debt of NTDCC, AHRC, Alveo, and Avida.

PART II - OTHER INFORMATION

Item 3. Developments as of June 30, 2017

A. New project or investments in another line of business or corporation		
B. Composition of Board of Directors (as of June 30, 2017)	Fernando Zobel de Ayala	Chairman
	Jaime Augusto Zobel de Ayala II	Vice Chairman
	Bernard Vincent O. Dy	President & CEO
	Antonino T. Aquino	Non-Executive Director
	Delfin L. Lazaro	Non-Executive Director
	Arturo G. Corpuz	Non-Executive Director
	Francis G. Estrada*	Independent Director
	Jaime C. Laya	Independent Director
	Rizalina G. Mantaring	Independent Director
	Ma. Angela E. Ignacio*	Independent Director
	**Elected as independent director last April 19, 2017 to replace Mr. Francis G. Estrada*	
C. Performance of the corporation or result/progress of operations	Please see unaudited consolidated financial statements and management's discussion on results of operations.	

D. Declaration of dividends	P0.24 cash dividend Declaration date: February 20, 2017 Record date: March 6, 2017 Payment date: March 22, 2017 P0.00474786 preferred cash dividend Declaration date: February 20, 2017 Record date: June 15, 2017 Payment date: June 29, 2017
E. Contracts of merger, consolidation or joint venture; contract of management, licensing, marketing, distributorship, technical assistance or similar agreements	None
F. Offering of rights, granting of Stock Options and corresponding plans therefore	ALI has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (Employee Stock Option Plan (ESOWN) covering 2.5% of the company's authorized capital stock. In 2005, the company introduced a revised ESOWN granted to qualified officers. As of June 30, 2017, stock options outstanding* are as follows: ESOP None ESOWN 119,856,619 shares * *outstanding shares pertain to shares subscribed by officers and employees which are not yet fully paid and not yet issued*
G. Acquisition of additional mining claims or other capital assets or patents, formula, real estate	None
H. Other information, material events or happenings that may have affected or may affect market price of security	None
I. Transferring of assets, except in normal course of business	None

Item 4. Other Notes to 2Q 2017 Operations and Financials

J. Nature and amount of items affecting assets, liabilities, equity, or net income that are unusual because of their nature, size, or incidents	Please see Item 2: Management's Discussion on Results of Operations and Analysis.

K. Nature and amount of changes in estimates of amounts reported in prior periods and their material effect in the current period	None
L. New financing through loans / Issuances, repurchases, and repayments of debt and equity securities	Please see Notes to Financial Statements (note 10).
M. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period	On July 17, 2017, ALI issued and listed on the PDEx Short Dated Notes P4.3 billion due 2019 carrying a fixed coupon of 2.75%. This is the first ever enrolment in the Philippines of a corporate security that will be distributed to Qualified Institutional Buyers.
N. The effect of changes in the composition of the issuer during the interim period including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations	
O. Changes in contingent liabilities or contingent assets since the last annual balance sheet date	None
P. Other material events or transactions during the interim period	On May 9, 2017, additional shares were subscribed under the Employee Stock Ownership Plan totaling 1,840,371 common shares which will bring the total number of common shares to 14,714,522,959. On June 27, 2017, Prime Orion Phil, Inc. (POPI) sells 512.4 million common shares to Orion Land, Inc, a 100% subsidiary of POPI for a total consideration of P1,257.3 million. The transaction was accounted for as an equity transaction which resulted into negative equity reserves of P405.18 million.
Q. Existence of material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation	None

R. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period	None
S. Material commitments for capital expenditures, general purpose and expected sources of funds	For the year 2017, Ayala Land's consolidated budget for project and capital expenditures amount to P87.6 billion of which P41.6 billion has been disbursed as of June 30, 2017. The Company will use the capital expenditure for land acquisition as well as the construction completion of investment properties and launched residential projects.
T. Known trends, events or uncertainties that have had or that are reasonably expected to have impact on sales/revenues/ income from continuing operations	Ayala Land's performance will remain parallel to the country's overall economic standing. Interest rate fluctuations may likewise affect the real estate industry, including the Company.
U. Significant elements of income or loss that did not arise from continuing operations	None
V. Causes for any material change/s from period to period in one or more line items of the financial statements	Please see Notes to Financial Statements (Item 2: Management's Discussion on Results of Operations and Analysis).
W. Seasonal aspects that had material effect on the financial condition or results of operations	ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending. The Company's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.
X. Disclosures not made under SEC Form 17-C	None.

Item 5. Performance Indicators

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

	End June 2017	***End December 2016***
Current ratio [1]	*1.23:1*	*1.12:1*
Debt-to-equity ratio [2]	*0.90:1*	*0.93:1*
Net debt(cash)-to-equity ratio [3]	*0.76:1*	*0.79:1*
Profitability Ratios:		
Return on assets [4]	*4.9%*	*5.0%*
Return on equity [5]	*15.2%*	*14.9%*
Asset to Equity Ratio[6]	*3.01:1*	*3.11:1*
Interest Rate Coverage Ratio[7]	*5.8*	*5.9*

[1] Current assets / current liabilities
[2] Total debt / consolidated stockholders' equity (Total debt includes short-term debt, long-term debt and current portion of long-term debt)
[3] Net debt / consolidated stockholders' equity (Net debt is total debt less cash and cash equivalents, short-term investments and financial assets through FVPL)
[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

SIGNATURE

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

Issuer: **AYALA LAND, INC.**

By:

AUGUSTO D. BENGZON
Vice President
CFO, Treasurer, CIO and Chief Compliance Officer

Date: August 14, 2017