



Ayala Corporation
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NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of **AYALA CORPORATION** will be held at the Ballroom 2 of the Fairmont Makati, 1 Raffles Drive, Makati Ave., Makati City, on **Friday, April 15, 2016 at 9:00 o'clock in the morning** with the following

A G E N D A¹

1. Proof of Notice, Determination of Quorum and Rules of Conduct and Procedures
2. Approval of Minutes of Previous Meeting
3. Annual Report
4. Amendment of the Fourth Article of the Articles of Incorporation to Extend the Corporate Term for 50 years from January 23, 2018
5. Election of Directors (including the Independent Directors)
6. Election of External Auditor and Fixing of its Remuneration
7. Consideration of Such Other Business as May Properly Come Before the Meeting
8. Adjournment

Only stockholders of record at the close of business on **February 16, 2016** are entitled to notice of, and to vote at, this meeting.

Makati City, February 1, 2016.

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

SOLOMON M. HERMOSURA
Corporate Secretary and General Counsel

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the herein proxy form and submit the same on or before **April 6, 2016** to the Office of the Corporate Secretary at 3/F Tower One & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. Validation of proxies shall be held on **April 8, 2016** at 9:00 a.m. at the Office of the Corporate Secretary. Thank you.

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

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

Proof of notice, determination of quorum and rules of conduct and procedures

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

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

The following are the rules of conduct and procedures:

- (i) The polls are open for the stockholders to cast their votes either manually or electronically.
- (ii) A stockholder may vote manually using the ballot provided to him upon registration and placing the voted ballot in the ballot boxes located at the registration table and inside the Ballroom.
- (iii) A stockholder may vote electronically using any of the computers at the station for electronic voting outside the Ballroom. The paper ballot and the website platform for electronic voting set forth the proposed resolutions for consideration by the stockholders and each proposed resolution would be shown on the screen in front of the Ballroom as it is taken up at the meeting.
- (iv) Each outstanding share of stock entitles the registered holder to one vote.
- (v) In general, the stockholders act by the affirmative vote of stockholders representing at least a majority of the outstanding and voting capital stock present at the meeting.
- (vi) For the amendment of the Fourth Article of the Articles of Incorporation, the affirmative vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock is required.
- (vii) The election of the directors shall be by plurality of votes. Every stockholder shall be entitled to cumulate his votes.
- (viii) The stockholders may cast their votes anytime during the meeting.
- (ix) All votes received shall be tabulated by the Office of the Corporate Secretary, and the results of the tabulation shall be validated by SyCip Gorres Velayo and Co. (SGV).
- (x) During the meeting, as the stockholders take up an item on the Agenda, the Corporate Secretary will report the votes already received and tabulated on that item.

Approval of minutes of previous meeting

The minutes of the meeting held on April 10, 2015 are posted at the company website, www.ayala.com.ph. Copies of the minutes will also be distributed to the stockholders before the meeting.

A resolution approving the minutes will be presented to the stockholders for approval by the vote of the stockholders representing at least a majority of the outstanding voting stock present at the meeting.

Annual report

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

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

Amendment of the Fourth Article of the Articles of Incorporation to extend the corporate term for 50 years from January 23, 2018

A resolution approving the amendment will be presented to the stockholders for approval by the affirmative vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Election of directors (including the independent directors)

Any stockholder may submit to the Nomination Committee nominations to the Board not later than March 2, 2016. The Nomination Committee will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement and in the company website for examination by the stockholders.

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

Election of external auditor and fixing of its remuneration

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

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

Consideration of such other business as may properly come before the meeting

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

PROXY

The undersigned stockholder of **AYALA CORPORATION** (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as *attorney* and *proxy*, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the annual meeting of stockholders of the Company on April 15, 2016 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous meeting.
☐ Yes ☐ No ☐ Abstain
2. Annual Report.
☐ Yes ☐ No ☐ Abstain
3. Amendment of the Fourth Article of the Articles of Incorporation to extend the corporate term for 50 years from January 23, 2018.
☐ Yes ☐ No ☐ Abstain
4. Election of Directors
5. Election of SyCip Gorres Velayo & Co. as the independent auditor and fixing of its remuneration.
☐ Yes ☐ No ☐ Abstain
6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.
☐ Yes ☐ No

	No. of Votes	PRINTED NAME OF STOCKHOLDER
Jaime Augusto Zobel de Ayala	_____	
Fernando Zobel de Ayala	_____	
Yoshio Amano	_____	
Ramon R. del Rosario, Jr.	_____	
Delfin L. Lazaro	_____	
Xavier P. Loinaz	_____	
Antonio Jose U. Periquet	_____	
		SIGNATURE OF STOCKHOLDER / AUTHORIZED SIGNATORY
		DATE

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 6, 2016**, THE DEADLINE FOR SUBMISSION OF PROXIES. FOR CORPORATE STOCKHOLDERS, PLEASE ATTACH TO THIS PROXY FORM THE SECRETARY'S CERTIFICATE ON THE AUTHORITY OF THE SIGNATORY TO APPOINT THE PROXY AND SIGN THIS FORM.

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

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

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**Information Statement
of
AYALA CORPORATION
Pursuant to Section 20 of the Securities Regulation Code (the "Code" or "SRC")**

1. Check the appropriate box:

☐ Preliminary Information Sheet
☒ Definitive Information Sheet

- 2. Name of registrant as specified in its charter:** AYALA CORPORATION (the "Company" or "Ayala")
- 3. Province, country or other jurisdiction of incorporation or organization:** REPUBLIC OF THE PHILIPPINES
- 4. SEC Identification Number:** 34218
- 5. BIR Tax Identification Code:** 000-153-610-000
- 6. Address of principal office:** 32F to 35F, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City
1226
- 7. Registrant's telephone number:** (632) 908-3000 / 908-3357
- 8. Date, time and place of the meeting of stockholders:**

Date	-	April 15, 2016
Time	-	9:00 A.M.
Place	-	Ballroom 2, Fairmont Makati 1 Raffles Drive Makati Ave., Makati City

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

March 23, 2016

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

a. Shares of stock as of January 31, 2016

<u>Title of each class</u>	<u>Par value</u>	<u>No. of shares</u>	<u>Amount</u>
Common	P 50.00	619,614,147	P30,980,707,350.00
Preferred B Series 1	100.00	20,000,000	2,000,000,000.00
Preferred B Series 2	100.00	27,000,000	2,700,000,000.00
Voting Preferred	1.00	200,000,000	200,000,000.00
Total		<u>866,614,147</u>	<u>P35,880,707,350.00</u>

b. Debt securities - P40 Billion Bonds

11. Are any or all of registrant's securities listed in a stock exchange?

☒ Yes ☐ No

A total of 619,233,350 common shares, 20,000,000 preferred B series 1 shares, and 27,000,000 preferred B series 2 shares are listed in the Philippine Stock Exchange ("PSE").

* * *

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

- a. Date - April 15, 2016
 Time - 9:00 A.M.
 Place - Ballroom 2, Fairmont Makati
 1 Raffles Drive
 Makati Ave., Makati City

- b. Approximate date when the Information Statement is first to be sent to stockholders: March 23, 2016

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

Item 2. Dissenter's right of appraisal

There are no matters or actions to be taken up at the meeting which may give rise to a possible exercise by stockholders of their appraisal rights under Section 81 of the Corporation Code of the Philippines.

Item 3. Interest of certain persons in or opposition to matters to be acted upon

There is no matter to be acted upon in which any director or officer is involved or had a direct, indirect or substantial interest.

No director has informed the Company of his opposition to any matter to be acted upon at the annual stockholders meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting securities and principal holders thereof

- | | | |
|----|---|--|
| a. | Number of shares outstanding as of January 31, 2016: | 619,614,147 common shares |
| | | 20,000,000 preferred B series 1 shares |
| | | 27,000,000 preferred B series 2 shares |
| | | 200,000,000 voting preferred shares |
| | Number of votes per share: | one (1) vote per share for common and voting preferred shares |
| | | One (1) vote per share for preferred B shares on matters where holders of non-voting shares are entitled to vote under Section 6 of the Corporation Code |
| b. | All stockholders of record as of February 16, 2016 (the “Record Date”) are entitled to notice and to vote at the annual stockholders’ meeting. | |

c. Manner of voting

Sections 7 and 8 of Article III of the By-laws of the Company (the “By-laws”) provide:

Section 7 - Each share of stock entitles the person in whose name it is registered in the books of the Corporation to one vote, provided the share has not been declared delinquent. (As amended on December 4, 2014).

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

d. Security ownership of certain record and beneficial owners and management

i. Security ownership of certain record and beneficial owners (of more than 5%) as of January 31, 2016

Title of class of voting shares	Name and address of record owner and relationship with Issuer	Name of beneficial owner and relationship with record owner	Citizenship	No. of shares held	Percent of outstanding voting shares
Common	Mermac, Inc. ¹ 3/F Makati Stock Exchange Building, Ayala Triangle, Ayala Avenue, Makati City	Mermac, Inc. ²	Filipino	303,689,196	37.0527%
Voting Preferred				159,577,460	19.4698%
Common	PCD Nominee Corporation (Non-Filipino) ³ G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers ⁴	Various Non-Filipino	161,310,304	19.6812%
Common	Mitsubishi Corporation ⁵ 3-1, Marunouchi 2- Chome, Chiyoda-ku, Tokyo 100-8086	Mitsubishi Corporation ⁶	Japanese	63,077,540	7.6960%
Voting Preferred				32,640,492	3.9824%
Common	PCD Nominee Corporation (Filipino) ³ G/F MSE Bldg. Ayala Ave., Makati City	PCD participants acting for themselves or for their customers ⁴	Filipino	69,044,736	8.4241%

¹ The Co-Vice Chairmen of Mermac, Inc. (“Mermac”), Jaime Augusto Zobel de Ayala and Fernando Zobel de Ayala, are the Chairman/CEO and President/COO of the Company, respectively. Mr. Jaime Augusto Zobel de Ayala has been named and appointed to exercise the voting power.

² The Board of Directors of Mermac has the power to decide how Mermac shares in Ayala are to be voted.

³ PCD is not related to the Company.

⁴ Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. Out of the 230,355,040 common shares registered in the name of PCD Nominee Corporation, 65,701,286 (8.0161% of the voting stock) and 55,387,570 (6.7578% of the voting stock) are for the accounts of Deutsche Bank Manila (DB) and The Hongkong and Shanghai Banking Corporation (HSBC), respectively. The Company has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of DB and HSBC or any of their customers beneficially owns more than 5% of the Company’s common shares.

⁵ Mitsubishi Corporation (“Mitsubishi”) is not related to the Company.

⁶ The Board of Directors of Mitsubishi has the power to decide how Mitsubishi’s shares in Ayala are to be voted. Mr. Yoshio Amano has been named and appointed to exercise the voting power.

ii. Security ownership of directors and management as of January 31, 2016

Title of class of outstanding shares	Name of beneficial owner	Amount and nature of beneficial ownership		Citizenship	Percent of total outstanding shares
Directors					
Common	Jaime Augusto Zobel de Ayala	82,900	(direct & indirect)	Filipino	0.0096%
Preferred B Series 1		20,000	(indirect)		0.0023%
Voting Preferred		543,802	(direct)		0.0628%
Common	Fernando Zobel de Ayala	82,900	(direct & indirect)	Filipino	0.0096%
Voting Preferred		554,983	(direct)		0.0640%
Common	Delfin L. Lazaro	30,807	(indirect)	Filipino	0.0036%
Voting Preferred		258,297	(direct)		0.0298%
Common	Yoshio Amano	1	(direct)	Japanese	0.0000%
Common	Xavier P. Loinaz	126,614	(direct)	Filipino	0.0146%
Voting Preferred		65,517	(direct)		0.0076%
Common	Antonio Jose U. Periquet	1,200	(direct)	Filipino	0.0001%
Preferred B Series 2		400,000	(direct)		0.0462%
Common	Ramon R. Del Rosario, Jr.	1	(direct)	Filipino	0.0000%
CEO and most highly compensated officers					
Common	Jaime Augusto Zobel de Ayala	82,900	(direct & indirect)	Filipino	0.0614%
Preferred B Series 1		20,000	(indirect)		0.0012%
Voting Preferred		543,802	(direct)		0.0021%
Common	Fernando Zobel de Ayala	82,900	(direct & indirect)	Filipino	0.0000%
Voting Preferred		554,983	(direct)		0.0300%
Common	Solomon M. Hermosura	73,831	(indirect)	Filipino	0.0085%
Voting Preferred		53,583	(direct)		0.0062%
Common	Jose Teodoro K. Limcaoco	127,237	(indirect)	Filipino	0.0148%
Common	John Philip S. Orbeta	436,147	(indirect)	Filipino	0.0503%
Other executive officers (Ayala group ManCom members/Senior Leadership Team)					
Common	Gerardo C. Ablaza, Jr.	531,833	(direct & indirect)	Filipino	0.0161%
Preferred B Series 2		10,000	(direct)		0.0014%
Common	Cezar P. Consing	18,594	(indirect)	Filipino	0.0042%
Common	Bernard Vincent O. Dy	0		Filipino	0.0614%
Common	Arthur R. Tan	259,762	(direct & indirect)	Filipino	0.0012%
Common	Alfredo I. Ayala	139,667	(direct & indirect)	Filipino	0.0021%
Common	Paolo Maximo F. Borromeo	12,189	(indirect)	Filipino	0.0000%
Common	John Eric T. Francia	36,796	(direct & indirect)	Filipino	0.0300%
Common	Ernest Lawrence L. Cu	58,926	(indirect)	Filipino	0.0068%
Common	Ruel T. Maranan	0		Filipino	0.0000%
Common	Ma. Cecilia T. Cruzabra	5,344	(direct & indirect)	Filipino	0.0006%
Common	Josephine G. De Asis	1,000	(indirect)	Filipino	0.0001%
Common	Catherine H. Ang	3,448	(indirect)	Filipino	0.0004%
Voting Preferred		5,290	(direct)		0.0006%
Common	Dodjie D. Lagazo	0		Filipino	0.0000%
Common	Charlene Mae C. Tapic-Castro	0		Filipino	0.0000%
All Directors and Officers as a group		3,940,669			0.4547%

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

iii. **Voting trust holders of 5% or more**

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

iv. **Changes in control**

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

Item 5. Directors and executive officers

Article III, Section 9, of the By-laws provides:

Section 9 - At the regular meetings, the Board of seven (7) Directors shall be elected who shall hold office for a term of one (1) year or until their successors shall have been elected and qualified.

The attendance of the directors at the meetings of the Board of Directors ("Board") and of stockholders held in 2015 is as follows:

Directors	No. of Meetings Attended/Held⁷	Percent Present
Jaime Augusto Zobel de Ayala	6/6	100%
Fernando Zobel de Ayala	6/6	100%
Delfin L. Lazaro	6/6	100%
Xavier P. Loinaz	6/6	100%
Ramon R. Del Rosario, Jr.	6/6	100%
Antonio Jose U. Periquet	6/6	100%
Yoshio Amano	6/6	100%

The Board has established committees to assist in exercising its authority in monitoring the performance of the business of the Company. The committees, as mentioned below, provide organized and focused means for the Board and directors to achieve specific goals and address issues, including those related to corporate governance.

	Executive Committee	Personnel and Compensation Committee	Nomination Committee	Audit Committee	Finance Committee	Risk Management and Related Party Transactions Committee	Committee of Inspectors of Proxies and Ballots****
Jaime Augusto Zobel de Ayala	C				M		
Fernando Zobel de Ayala	M		M				
Yoshio Amano***	M	M		M		M	
Ramon R. del Rosario, Jr.**		C	C	M		M	
Delfin L. Lazaro*		M			C		
Xavier P. Loinaz**				C			
Antonio Jose U. Periquet**			M		M	C	
Solomon M. Hermosura							C
Catherine H. Ang							M
Josephine G. De Asis							M

C - Chairman
M - Member

*Non-executive Director
**Independent Director

***Independent Director under the ASEAN Standards but not under Philippine Requirements as provided in the Charter of the Board of Directors

****May not be members of the Board of Directors

⁷ In 2015 and during the incumbency of the director.

Information required of directors and executive officers

i. Directors and executive officers

The following persons have been nominated to the Board for election at the annual stockholders' meeting and have accepted their nomination:

JAIME AUGUSTO ZOBEL DE AYALA	FERNANDO ZOBEL DE AYALA
YOSHIO AMANO	XAVIER P. LOINAZ
RAMON R. DEL ROSARIO, JR.	ANTONIO JOSE U. PERIQUET
DELFIN L. LAZARO	

The nominees were formally nominated to the Nomination Committee of the Board by a minority shareholder of the Company, Ms. Amelia S. Cayaba, who holds 153 voting preferred shares, or 0.000019% of the total outstanding voting shares of the Company, and who is not related to any of the nominees. Messrs. Ramon R. del Rosario, Jr., Xavier P. Loinaz and Antonio Jose U. Periquet, all incumbent directors, are being nominated as independent directors in accordance with SRC Rule 38 (Requirements on Nomination and Election of Independent Directors). Mr. Amano, an incumbent director, is being nominated as independent director pursuant to generally accepted principles of good corporate governance. The Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with the By-Laws and the Charter of the Board of Directors of the Company.

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

Messrs. Jaime Augusto Zobel de Ayala, Fernando Zobel de Ayala, Lazaro, Loinaz and Del Rosario, Jr. have served as directors of the Company for more than five years. On the other hand, Mr. Periquet has served as director of the Company for five years. Mr. Amano has served as director for four years.

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

The officers of the Company are elected annually by the Board during its organizational meeting.

ii. Significant employees

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

iii. Family relationships

Jaime Augusto Zobel de Ayala, Chairman/Chief Executive Officer, and Fernando Zobel de Ayala, President/Chief Operating Officer, are brothers.

There are no known family relationships between the current members of the Board and key officers other than the above.

iv. Involvement in certain legal proceedings

Except as disclosed herein or in the Information Statements of the Company's subsidiaries or affiliates which are themselves public companies or as has been otherwise publicly disclosed, there are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Company

or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

b. Certain relationships and related transactions

The Company, in the regular conduct of business, has entered into transactions consisting of advances, loans and reimbursements of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative agreements, with associates, jointly controlled entities and other related parties. Sales and purchases of goods and services to and from related parties are made at arms-length, fair, and inure to the best benefit of both parties. Material significant related party transactions are reviewed and approved by the risk Management and Related Party Transactions Committee of the Board.

There has not been any material transaction during the last two years, or proposed transaction, to which the Company was or is to be a party, in which any of its directors or executive officers, any nominee for election as a director or any security holder had or is to have a direct or indirect material interest.

To date, there are no complaints received by the Company regarding related-party transactions.

c. Ownership structure and parent company

As of January 31, 2016, Mermac, Inc. owns 56.52% of the outstanding voting shares of the Company.

d. Resignation of directors

To date, no director has resigned from, or declined to stand for re-election to the Board since the date of the 2015 annual meeting of stockholders due to any disagreement with the Company relative to its operations, policies and practices.

Item 6. Compensation of Directors and executive officers

a. Executive compensation

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Jaime Augusto Zobel de Ayala Chairman & CEO				
Fernando Zobel de Ayala President & Chief Operating Officer				
Solomon M. Hermosura Managing Director, General Counsel, Corporate Secretary & Compliance Officer				
Jose Teodoro K. Limcaoco Managing Director, Chief Finance Officer, Chief Risk Officer and Finance Group Head				
John Philip S. Orbeta Managing Director, Corporate Resources Group Head and Chairman and President of				

Ayala Automotive Holdings Corporation				
CEO & Most Highly Compensated Executive Officers	Actual 2014 (Restated)	P198.32M	P160.15M	P 0
	Actual 2015	P204.71M	P184.81M	P 0
	Projected 2016	P222.61M	P128.12M	P 0
All other officers** as a group unnamed	Actual 2014 (Restated)	P465.30M	P313.19M	P 0
	Actual 2015	P493.27M	P392.88M	P 0
	Projected 2016	P520.14M	P301.31M	P 0

**** Managers and up (including all above-named officers).**

The total annual compensation consists of basic pay and other taxable income (guaranteed bonus and performance-based bonus).

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

b. Compensation of Directors

Article IV, Section 20, of the By-laws provides:

Section 20 - Each Director shall be entitled to receive from the Corporation, pursuant to a resolution of the Board of Directors, fees and other compensation for his services as Director. The Board of Directors shall have the sole authority to determine the amount, form and structure of the fees and other compensation of the Directors. In no case shall the total yearly compensation of Directors exceed one percent (1%) of the net income before income tax of the Corporation during the preceding year.

The compensation and remuneration committee of the Board of Directors shall have the responsibility of recommending to the Board of Directors the fees and other compensation for directors. In discharging this duty, the committee shall be guided by the objective of ensuring that the level of compensation should fairly pay Directors for work required in a company of the Corporation's size and scope. (As amended on 18 April 2011.)

i. Standard arrangement

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

Retainer Fee:	P 1,200,000.00
Board Meeting Fee per meeting attended:	P 200,000.00
Audit Committee Meeting Fee per meeting attended:	P 100,000.00
Other Committee Meeting Fee per meeting attended:	P 50,000.00

Directors who hold executive or management positions do not receive directors' fees. The compensation of executive directors is included in the compensation table in Item 6(a) above.

ii. Other arrangement

None of the directors who are paid fees as set forth above (Standard arrangement) is contracted and compensated by the Company for services other than those provided as a director.

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

The Company's Personnel and Compensation Committee is chaired by Mr. Del Rosario, Jr., an independent director, with Messrs. Lazaro and Amano as members.

c. Employment contracts and termination of employment and change-in-control arrangements

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

d. Warrants and options outstanding; repricing

- i. Since 1995, the Company has offered its officers options to acquire common shares under its executive stock option plan (ESOP). Of the above named officers, there were options covering 83,478 shares exercised in 2015 by the following officers, to wit:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at Date of Grant
Solomon M. Hermosura		Various	Various	Various
Fernando Zobel de Ayala		Various	Various	Various
Jaime Augusto Zobel de Ayala		Various	Various	Various
All above-named Officers as a group	83,478		409.18*	536.67*
All officers ** as a Group	282,913**		315.82*	436.69*

* Average prices.

** Managers and up including the above-named officers.

- ii. The Company has adjusted the exercise price and market price of the options awarded to the above named officers due to the stock dividend declared by the Company in May 2004, June 2007, May 2008 and July 2011 and to the reverse stock split in May 2005.

Item 7. Independent public accountants

- a. The external auditor of the Company is the accounting firm of SyCip, Gorres, Velayo & Company (SGV & Co.). The Board, upon the recommendation of the Company's Audit Committee (composed of Mr. Loinaz, as Chairman, Messrs. Del Rosario, Jr. and Amano, as members), approved the re-appointment of SGV & Co. as the Company's independent auditor for 2016 based on its performance and qualifications, and fixed its remuneration amounting to ₱4.655 million, exclusive of value-added tax and out-of-pocket expenses in 2016.

The re-appointment of the SGV & Co., and the fixing of its remuneration will be presented to the stockholders for their approval at the annual stockholders' meeting.

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

Pursuant to the General Requirements of SRC Rule 68 (2011 Amended), Par. 3 (Qualifications and Reports of Independent Auditors), the Company has engaged SGV & Co. as external auditor, and Ms. Jessie D. Cabaluna has been the Partner In-Charge since audit year 2012.

c. Changes in and disagreements with accountants on accounting and financial disclosure

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There were no disagreements with SGV & Co. on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

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

The Company paid or accrued the following fees, including VAT, to its external auditor in the past two years:

	<u>Audit Fees</u>	<u>Audit- related Fees</u>	<u>Tax Fees</u>	<u>Non-Audit Fees</u>
2015	P5.01M	P4.71 M		P0.15 M
2014	P4.12M	P9.52 M	-	P1.96 M

SGV & Co. was engaged by the Company to audit its annual financial statements and midyear review of financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2015 and 2014. The audit-related fees include assurance and services that are reasonably related to the performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements.

e. **Tax fees**

No tax consultancy services were secured from SGV & Co. for the past two years.

f. **All other fees**

In 2015, SGV & Co. billed the Company for an aggregate fee of P0.15M for the following services:

- i. Validation of stockholders' votes during the 2015 annual stockholders' meeting
- ii. Basic Corporate Governance Seminar

In 2014, SGV & Co. billed the Company for an aggregate fee of P1.96M for the following services:

- i. Accounting advisory services for review of policies and procedures for the offering of AYC Finance Limited, a wholly-owned subsidiary of the Company, of the US\$300 million Exchangeable Bonds
- ii. Review of Ayala Rewards Circle (ARC) operational processes
- iii. Accounting advisory services for the Southwest Integrated Transport System Project
- iv. Validation of stockholders' votes during the 2014 annual stockholders' meeting

The Audit Committee reviewed the nature of non-audit services rendered by SGV & Co. and the corresponding fees and concluded that these are not in conflict with the audit functions of the independent auditor.

The Audit Committee has an existing policy to review and to pre-approve the audit and non-audit services rendered by the Company's independent auditor. It does not allow the Company to engage the independent auditor for certain non-audit services expressly prohibited by regulations of the SEC to be performed by an independent auditor for its audit clients. This is to ensure that the independent auditor maintains the highest level of independence from the Company, both in fact and appearance.

C. **ISSUANCE AND EXCHANGE OF SECURITIES**

Item 8. Authorization or issuance of securities other than for exchange

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

Item 9. Modification or Exchange of Securities

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

Item 10. Financial and other information

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

Item 11. Mergers, consolidations, acquisitions and similar matters

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

Item 12. Acquisition or disposition of property

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

Item 13. Restatement of accounts

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

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended Philippine Financial Reporting Standards (PFRS) and the Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) which became effective beginning January 1, 2015. The Group will also adopt several amended and revised standards and interpretations in 2016, 2017 and 2018.

Please refer to Note 2 of the attached Company's audited financial statements on the Summary of Significant Accounting Policies for the accounting of the new PFRS and IFRIC which became effective in 2015 and new PFRS and IFRIC that will be effective in 2016, 2017 and 2018.

D. OTHER MATTERS

Item 14. Action with respect to reports

- a. Approval of the minutes of the 2015 annual stockholders' meeting held on April 10, 2015 covering the following matters:
 - i) Annual report of officers;
 - ii) Ratification and approval of all acts and resolutions of the Board of Directors and Management adopted from the annual stockholders' meeting on April 11, 2014 until the annual stockholders' meeting on April 10, 2015;
 - iii) Election of the members of the Board of Directors, including the independent directors, and
 - iv) Election of the external auditor and fixing of its remuneration.
- b. Approval of the annual report of management for the year ending December 31, 2015. The report will cover the performance of the Company in 2015 and the outlook for 2016, as set forth in Annex B, Management Report.

Item 15. Amendment of Charter, By-laws or Other Documents

At its meeting on January 19, 2016, the Board of Directors approved the amendment of the Fourth Article of the Articles of Incorporation of the Company to extend the corporate term for another fifty years from January 23, 2018. The stockholders will consider the amendment at their meeting.

As proposed to be amended, the Fourth Article of the Articles of Incorporation of the Company will read as follows:

FOURTH. That the term for which said Corporation is to exist is fifty (50) years from January 23, 2018.

Item 16. Other proposed actions

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

Item 17. Voting procedures

a. **Vote required**

The affirmative vote of stockholders representing at least 2/3 of the issued and outstanding capital stock is required for the approval of the proposed amendment to the Fourth Article of the Articles of Incorporation of the Company. The affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented at the annual stockholders' meeting is required for the approval of the other matters presented to the stockholders for decision. The election of directors is by plurality of votes.

b. **Method of Voting**

Except for the amendment of the Fourth Article of the Articles of Incorporation, in all items for approval, each voting share of stock entitles its registered owner as of the Record Date to one vote. For the proposed amendment to the Articles of Incorporation, each share of stock (voting and non-voting) entitles its registered owner to one vote.

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

Voting will be by poll. Upon registration at the annual stockholders' meeting, each stockholder will be given a ballot to enable him to vote in writing on each item or proposal in the Agenda. A stockholder may also vote electronically using any of the computers at the station for electronic voting. Nonetheless, each stockholder may vote *viva voce* or by other means of communicating his approval or objection.

All votes will be counted and tabulated by the Office of the Corporate Secretary and the results will be validated by the external auditor of the Company, SGV & Co.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on the 15th day of March 2016.

AYALA CORPORATION



by: **SOLOMON M. HERMOSURA**
Corporate Secretary and General Counsel

ANNEX “A” DIRECTORS AND KEY OFFICERS

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

Board of Directors

Jaime Augusto Zobel de Ayala	Chairman and Chief Executive Officer
Fernando Zobel de Ayala	President and Chief Operating Officer
Yoshio Amano	Independent Director*
Ramon R. del Rosario, Jr.	Independent Director
Delfin L. Lazaro	Director
Xavier P. Loinaz	Independent Director
Antonio Jose U. Periquet	Independent Director

**under the ASEAN Standards but not under Philippine Requirements as provided in the Charter of the Board of Directors*

Jaime Augusto Zobel de Ayala, Filipino, 56, Director of Ayala Corporation since May 1987. He is the Chairman and CEO of Ayala Corporation since April 2006. He holds the following positions in publicly listed companies: Chairman of Globe Telecom, Inc., Integrated Micro-Electronics, Inc. and Bank of the Philippine Islands; and Vice Chairman of Ayala Land, Inc. and Manila Water Company, Inc. He is also the Chairman of Ayala Education, Ayala Retirement Fund Holdings, Inc., and Asiacom Philippines, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Director of Alabang Commercial Corporation, Ayala International Pte. Ltd., AC Energy Holdings, Inc., LiveIt Investments Limited, AI North America, Inc., and AG Holdings Limited; Chairman Emeritus of the Asia Business Council; Chairman of Harvard Business School Asia-Pacific Advisory Board and World Wildlife Fund Philippine Advisory Council; and member of the Harvard Global Advisory Council, Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, Endeavor Philippines and Singapore Management University. He was the Philippine Representative to the Asia Pacific Economic Cooperation (APEC) Business Advisory Council until December 2015. In 2007, he received the Harvard Business School Alumni Achievement Award, the school's highest recognition. He was a recipient of the Presidential Medal of Merit in 2009 for enhancing the prestige and honor of the Philippines both at home and abroad. Subsequently, he was bestowed the Philippine Legion of Honor, with rank of Grand Commander, by the President of the Philippines in recognition of his outstanding public service. He graduated with B.A. in Economics (Cum Laude) at Harvard College in 1981 and took his MBA at the Harvard Graduate School of Business Administration in 1987.

Fernando Zobel de Ayala, Filipino, 55, Director of Ayala Corporation since May 1994. He is the President and Chief Operating Officer of Ayala Corporation since April 2006. He holds the following positions in publicly listed companies: Chairman of Ayala Land, Inc. and Manila Water Company, Inc.; and Director of Bank of The Philippine Islands, Globe Telecom, Inc. and Integrated Micro-Electronics, Inc. He is the Chairman of AC International Finance Ltd., Ayala International Holdings Limited, Accendo Commercial Corporation, Alabang Commercial Corporation, Automobile Central Enterprises, Inc., Ayala Automotive Holdings Corporation, Liontide Holdings, Inc., AC Energy Holdings, Inc., and Hero Foundation, Inc.; Co-Chairman of Ayala Foundation, Inc. and Ayala Group Club, Inc.; Vice Chairman of Ceci Realty, Inc., Vesta Property Holdings, Inc., Aurora Properties, Inc., Columbus Holdings, Inc. Emerging City Holdings, Inc., Fort Bonifacio Development Corporation, and Bonifacio Land Corporation; Director of LiveIt Investments, Ltd., Asiacom Philippines, Inc., AG Holdings Limited, Ayala International Holdings Limited, AI North America, Inc., AC Infrastructure Holdings Corporation, Ayala Retirement Fund Holdings, Inc., Honda Cars Philippines, Inc., Isuzu Philippines Corporation, Pilipinas Shell Petroleum Corp., Manila Peninsula and Habitat for Humanity International; Member of the INSEAD East Asia Council, World Presidents' Organization, Habitat for Humanity International and Asia Philanthropy Circle; Chairman of Habitat for Humanity's Asia-Pacific Capital Campaign Steering Committee; and Member of the Board of Trustees of Caritas Manila, Pilipinas Shell Foundation, National Museum, the foundation of the Roman Catholic Church and Asia Society. He graduated with B.A. Liberal Arts at Harvard College in 1982.

Yoshio Amano, Japanese, 57, Independent Director of Ayala Corporation since April 2012 (*Independent Director under the ASEAN Standards but not under Philippine Requirements as provided in the Charter of the Board of Directors.*) He is a Senior Vice President of Mitsubishi Corporation and the General Manager of Mitsubishi

Corporation-Manila Branch; Chairman of International Elevator & Equipment Inc.; President of MC Diamond Realty Investment Phils., Inc., MC Oranbo Investment, Inc. and Japanese Chamber of Commerce & Industry of the Philippines (JCCPI); and Director of Isuzu Philippines Corporation, Imasen Philippines Manufacturing Corp., Kepco Ilijan Corporation, Trans World Agro-Products Corp., Philippine Resins Industries, Inc., Portico Land Corporation, and The Japanese Association Manila, Inc. He is not a director of any publicly listed company. Mr. Amano graduated from the University of Tokyo with a degree from the Faculty Engineering in 1982. He has been with Mitsubishi Corporation for more than 30 years in various leadership positions.

Ramon R. del Rosario, Jr., Filipino, 71, Independent Director of Ayala Corporation since April 2010. He holds the following positions in publicly listed companies: President and Chief Executive Officer of Phinma Corporation; Chairman of Trans-Asia Petroleum Corporation; and Vice Chairman of Trans-Asia Oil and Energy Development Corporation. He is the President and Chief Executive Officer of Philippine Investment Management, Inc.; Chairman of Araullo University, University of Iloilo, University of Pangasinan, Cagayan de Oro College, United Pulp and Paper Co., Inc., Microtel Inns and Suites (Pilipinas), Inc., Microtel Development Corp., Trans-Asia Power Generation Corporation, Trans-Asia Renewable Energy Corp., CIP II Power Corp., One Subic Power Generation Corp., Fuld & Co., Inc., Fuld & Co (Philippines), Inc. and Paramount Building Management & Services Corp.; Vice-Chairman of Phinma Foundation and Phinma Property Holdings Corp., director of Union Galvasteel Corp. and other PHINMA-managed companies; Chairman of The National Museum of the Philippines, the Makati Business Club, Philippine Business for Education, the Philippines-US Business Council, and the Integrity Initiative; Vice-Chairman of Caritas Manila and Ramon Magsaysay Award Foundation; and Trustee of De La Salle University. Mr. del Rosario graduated from De La Salle College in 1967 with a degree in BSC-Accounting and AB Social Sciences *Magna cum Laude* and from Harvard Business School in 1969 for his Master in Business Administration. He has managed Phinma since 2002 and brings with him a wealth of experience in leading a diversified conglomerate.

Delfin L. Lazaro, Filipino, 69, Director of Ayala Corporation since January 2007. He holds the following positions in publicly listed companies: Director of Ayala Land, Inc., Integrated Micro-Electronics, Inc., Manila Water Company, Inc., and Globe Telecom, Inc.; and Independent Director of Lafarge Republic, Inc. His other significant positions include: Chairman of Philwater Holdings Company, Inc. and Atlas Fertilizer & Chemicals Inc., Chairman and President of A.C.S.T. Business Holdings, Inc.; Vice Chairman and President of Asiacom Philippines, Inc.; Director of AC Energy Holdings, Inc., Bestfull Holdings Limited, Probe Productions, Inc. and Empire Insurance Company; and Trustee of Insular Life Assurance Co., Ltd. He graduated with BS Metallurgical Engineering at the University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Xavier P. Loinaz, Filipino, 72, Independent Director of Ayala Corporation since April 2009. He is also an Independent Director of Bank of the Philippine Islands, a publicly listed company. He also holds the following positions: Independent Director of BPI Family Savings Bank, Inc., and BPI/MS Insurance Corporation; Trustee of E. Zobel Foundation; and Chairman of Alay Kapwa Kilusan Pangkalusugan and XPL Manitou Properties, Inc.; and Vice Chairman of XPL MTJL Properties, Inc. He was formerly the President of the Bank of the Philippine Islands (BPI) from 1982 to 2004. He was also the President of Bankers Association of the Philippines from 1989 to 1991. He graduated with an AB Economics degree at Ateneo de Manila University in 1963 and took his MBA-Finance at Wharton School, University of Pennsylvania in 1965.

Antonio Jose U. Periquet, Filipino, 54, Independent Director of Ayala Corporation since September 2010. He is also an Independent Director of other listed companies namely: ABS-CBN Corporation, ABS-CBN Holdings Corporation, Bank of the Philippine Islands, DMCI Holdings, Inc., Philippine Seven Corporation, and Max's Group, Inc. His other significant positions are: Chairman of Pacific Main Holdings, Inc., Campden Hill Group, Inc., and Campden Hill Advisor, Inc. and Albizia ASEAN Tenggara Fund; Independent Director of BPI Capital Corporation, and BPI Family Savings Bank, Inc.; and Trustee of Lyceum of the Philippines University and member of the Dean's Global Advisory Council at the University of Virginia's Darden School of Business. He is also an Honorary Investment Adviser to the British Government He graduated with an AB Economics degree at Ateneo de Manila University in 1982 and took his Masters of Science in Economics at the Oxford University, UK in 1988 and Masters in Business Administration at University of Virginia, USA in 1990.

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

All the above incumbent directors.

Ayala Group Management Committee Members / Senior Leadership Team

*/***	Jaime Augusto Zobel de Ayala	Chairman & Chief Executive Officer
*/***	Fernando Zobel de Ayala	Vice Chairman, President & Chief Operating Officer
***	Gerardo C. Ablaza, Jr.	Senior Managing Director, President and CEO of Manila Water Company, Inc.
**	Cezar P. Consing	Senior Managing Director, President and CEO of Bank of the Philippine Islands
**	Bernard Vincent O. Dy	Senior Managing Director, President and CEO of Ayala Land, Inc.
**	Arthur R. Tan	Senior Managing Director, President and CEO of Integrated Micro-Electronics, Inc.
**	Ernest Lawrence L. Cu	President and CEO of Globe Telecom, Inc.
**	Alfredo I. Ayala	Managing Director, Chief Executive Officer of LiveIt Investments, Ltd. and Ayala Education, Inc.
***/*	Paolo Maximo F. Borromeo	Managing Director, Corporate Strategy and Development Group Head
***	John Eric T. Francia	Managing Director, President and CEO of AC Energy Holdings, Inc. and AC Infrastructure Holdings Corporation
***	Solomon M. Hermosura	Managing Director, General Counsel, Corporate Secretary, Compliance Officer and Corporate Governance Group Head
***	Jose Teodoro K. Limcaoco	Managing Director, Chief Finance Officer, Chief Risk Officer and Finance Group Head
**	Ruel T. Maranan	Managing Director, President of Ayala Foundation, Inc.
***	John Philip S. Orbeta	Managing Director, Corporate Resources Group Head and Chairman and President of Ayala Automotive Holdings Corporation
	Catherine H. Ang	Executive Director and Chief Internal Auditor
	Ma. Cecilia T. Cruzabra	Executive Director and Treasurer
	Josephine G. De Asis	Executive Director and Controller
	Charlene Mae C. Tapic-Castro	Assistant Corporate Secretary
	Dodjie D. Lagazo	Assistant Corporate Secretary
* <i>Members of the Board of Directors.</i>		
** <i>Ayala Group Management Committee members.</i>		
*** <i>Ayala Corporation Management Committee and Ayala Group Management Committee members</i>		
**** <i>Managing Director effective January 1, 2016</i>		

Gerardo C. Ablaza, Jr. Filipino, 62, has served as member of the Ayala Corporation Management Committee since April 2009 and the Ayala Group Management Committee since 1998. He also holds the following positions in other publicly listed companies in the Philippines: President and CEO of Manila Water Company, Inc. and Co-Vice Chairman of Globe Telecom, Inc. He is also a member of the Board of Directors of Hochiminh City Infrastructure Investment Joint Stock Company, a listed company on the Ho Chi Minh Stock Exchange. His other significant positions are: Director of Manila Water Philippine Ventures, Inc., Boracay Island Water Company, Inc., Clark Water Corporation, Manila Water Total Solutions Corporation, Manila Water Asia Pacific Pte. Ltd., Manila Water South Asia Holdings Pte. Ltd., Kenh Dong Water Holdings Pte. Ltd., and Thu Duc Water Holdings Pte. Ltd., Azalea International Ventures Partners Ltd., Asiacom Philippines, Inc., LiveIt Investment Ltd.; AC Energy Holdings, Inc., AC Infrastructure Holdings Corporation, Purefoods International Ltd., ACST Business Holdings, Inc., and Ayala Retirement Fund Holdings, Inc.. He is also the Chairman of Board of Trustees of the Manila Water Foundation, Inc. and member of the Board of Trustees of Ayala Foundation, Inc. From 1998 to April 2009, Mr. Ablaza was the President and CEO of Globe Telecom, Inc. He was also the Chairman of the Board of Directors of Innove Communications Inc., a wholly owned subsidiary of Globe Telecom Inc. from October 2003 to April 2009. Before joining the Ayala Group, Mr. Ablaza was Vice-President and Country Business Manager for Philippines and Guam of Citibank, N.A. for its Global Consumer Banking Business (1994-1997), Vice President for Consumer Banking of Citibank, N.A. Singapore (1994-1995). In 2004, Mr. Ablaza was recognized by CNBC as the Asia Business Leader of the Year, making him the first Filipino CEO to win the award. In the same year, he was awarded by Telecom Asia as the Best Asian Telecom CEO. In 2013, he was recognized for his consistent leadership and innovation across the

banking, investment, telecommunications and utility service industries through the Citi Distinguished Alumni Award for Leadership and Ingenuity. Mr. Ablaza graduated summa cum laude from the De La Salle University in 1974 with a degree in Liberals Arts, Major in Mathematics (Honors Program). As one of the most accomplished graduates of his alma mater, he sits as a member of the Board of Trustees in various De La Salle schools in the country.

Cezar P. Consing, Filipino, 56, is a Senior Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee since April 2013. He also holds the following positions in other publicly listed companies: President and CEO of Bank of the Philippine Islands and Independent Director of Jollibee Foods Corporation. His other significant positions are: Chairman of BPI Globe BanKo, Inc, BPI/MS Insurance Corporation, BPI Direct Savings Bank, Inc. and BPI Computer Systems Corporation; Vice Chairman of BPI Capital Corporation, Director of BPI Family Savings Bank, Inc., and Director and Non-Executive Chairman of Filgifts.com. He was a partner at the Rohatyn Group from 2004 to March 2013; an Investment Banker with J.P. Morgan & Co. from 1985 to 2004; and an independent director of CIMB Group Holdings Berhad and CIMB Group Sdn. Berhad from 2004 to 2012 and First Gen Corporation from 2005 to 2013. He graduated with a degree of A.B (Accelerated Program) Economics (Magna Cum Laude) from De La Salle University in 1979 and took his M.A. Applied Economics in the University of Michigan in 1980.

Bernard Vincent O. Dy, Filipino, 52, has been a member of the Ayala Group Management Committee since April 2014. He is the President & Chief Executive Officer of Ayala Land, Inc. (ALI). Prior to this post, he was the Head of the Residential Business, Commercial Business and Corporate Marketing and Sales of ALI. He is the Chairman of two other publicly listed companies namely: Cebu Holdings, Inc. and Cebu Property Ventures and Development Corporation. His other significant positions include: Chairman of Ayala Property Management Corporation, Ayala Land International Sales, Inc., Amicassa Process Solutions, Inc., Amaia Land Corporation, Avida Land Corp., Alveo Land Corp., Alviera Country Club, Inc., AyalaLand Commercial Reit, Inc., Lagdigan Land Corporation, Bellavita Land Corporation, Avencosouth Corp., Ayagold Retailers, Inc., Station Square East Commercial Corporation, Aviana Development Corp., Cagayan De Oro Gateway Corp., BGSouth Properties, Inc., BGNorth Properties, Inc., BGWest Properties, Inc., Portico Land Corp., and ALI Capital Corp.; Vice Chairman of Ayala Greenfield Development Corporation; Chairman and President of Serendra, Inc. and; Director and President of Bonifacio Land Corporation, Emerging City Holdings, Inc., Columbus Holdings, Inc. Berkshires Holdings, Inc., Fort Bonifacio Development Corporation, Aurora Properties Incorporated, Vesta Property Holdings, Inc., Ceci Realty Inc., Alabang Commercial Corporation, Accendo Commercial Corp., Hero Foundation Incorporated, Bonifacio Art Foundation,; Director of, Ayala Land Sales, Inc., North Triangle Depot Commercial Corporation, Ayala Greenfield Golf & Leisure Club, Makati Development Corporation, Nuevocentro, Inc., Whiteknight Holdings, Inc., AyalaLand Medical Facilities Leasing, Inc., Alveo-Federal Land Communities, Inc., Philippine Integrated Energy Solutions, Inc.,; Trustee of Ayala Foundation, Inc.; Member of Ayala Group Club, Inc.; and Treasurer of SIAL Specialty Retailers, Inc. and SIAL CVS Retailers, Inc. In 2015, he was inducted as member of the Advisory Council of the National Advisory Group for the Police Transformation Development of the Philippine National Police. He earned a degree of B.B.A Accountancy from the University of Notre Dame in 1985 and took his Master's Degree in Business Administration and International Relations at the University of Chicago in 1997 and 1989, respectively.

Arthur R. Tan, Filipino, 56, has been a member of the Ayala Group Management Committee since 2002. He is a Senior Managing Director of the Company since January 2007. He has been the President and Chief Executive Officer of Integrated Micro-Electronics, Inc., a publicly listed company, since April 2002. Concurrently, he is the Chairman of the Board, President and Chief Executive Officer of PSi Technologies Inc., and President of Speedy-Tech Electronics Ltd. He is the Vice Chairman of the Board of Directors of Ayala Automotive Holdings Corporation effective January 19, 2016. Prior to IMI, he was the Northeast Area Sales Manager and Acting Design Center Manager of American Microsystems Inc. (Massachusetts, USA), from 1994 to 1998, of which he became the Managing Director for Asia Pacific Region/Japan from 1998 to 2001. He graduated with B.S. in Electronics Communications Engineering degree from Mapua Institute of Technology in 1982 and attended post graduate programs at the University of Idaho, Singapore Institute of Management, IMD and Harvard Business School.

Ernest Lawrence L. Cu, Filipino, 55, has been a member of the Ayala Group Management Committee since January 2009. He is the President and Chief Executive Officer of Globe Telecom, Inc., a publicly listed company. He is a trustee of Ayala Foundation, Inc. and Hero Foundation, Inc. He is also a director of BPI Globe BanKo, Inc., Systems Technology Institute, Inc., and Prople BPO, Inc. Prior to joining Globe, he was the President and CEO of SPI Technologies, Inc. In 2014, he was honored as the Telecommunications Executive of the Year in the Stevies International Business Awards. In 2013, he was the highest ranked Filipino in the Power 100 of London-based Global Telecoms Business Magazine that recognizes the 100 most influential telecom leaders worldwide. He earned

international accolade in 2012 as CEO of the Year by Frost & Sullivan Asia Pacific. In 2010, he was adjudged Best CEO by Finance Asia. He was moreover conferred the International Association of Business Communicators' (IABC) CEO EXCEL award for communication excellence in telecoms and IT, and he was also voted as one of the Most Trusted Filipinos in a poll conducted by Readers Digest. He earned a degree in BS Industrial Management Engineering from De La Salle University in 1982 and took his Master's Degree in Business Administration at the J.L. Kellogg Graduate School of Management in 1984.

Alfredo I. Ayala, Filipino, 54, has been a Managing Director of Ayala Corporation and a member of the Ayala Group Management Committee since June 2006. He is the Chief Executive Officer of LiveIt Investments, Ltd. and of Ayala Education, which are Ayala Corporation's the holding companies for its business processing outsourcing and education investments, respectively. Currently, he also holds the following positions: Director of IQ BackOffice Holdings Limited, Affinity Express Holdings, Ltd., Integreon, Inc., Affinity Express Philippines, Inc., HRMall, Inc.; Chairman and President of AC College of Enterprise and Technology, Inc., LINC Institute; Chairman of Affordable Private Education Center, Inc., Integreon Managed Solutions (Philippines), Inc.; Vice Chairman, President & CEO of University of Nueva Caceres; Trustee of Ayala Foundation, Inc. He is also a Trustee of International Business Processing Association of the Philippines (IBPAP) and of Philippine Business for Education (PBEd). He has an MBA from the Harvard Graduate School of Business Administration and B.A. in Development Studies and Economics, graduating with honors from Brown University.

Paolo Maximo F. Borromeo, Filipino, 38, is a Managing Director effective January 1, 2016 and a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since September 2014. He has served as Group Head of Corporate Strategy and Development of the Company since September 2014. In his role, he oversees the overall corporate planning process, portfolio strategy, group-wide innovation projects and new business development initiatives. He also leads investor relations, corporate communications, and public policy. In addition, Mr. Borromeo leads Ayala Corporation's healthcare businesses. He sits on the board of Ayala Healthcare Holdings, Inc. and the Generika Group of Companies. He also sits on the board of Ayala Education, Affordable Private Education Center, Inc., and LiveIt Investments, Ltd. Prior to joining Ayala, he was a Principal at Booz & Company, a global strategy consulting firm, based in San Francisco, California, USA. He obtained his Bachelors of Science degree in Management Engineering from the Ateneo de Manila University and his Master's in Business Administration with honors from the Wharton School at the University of Pennsylvania.

John Eric T. Francia, Filipino, 44, is a Managing Director and a member of the Ayala Corporation Management Committee and the Ayala Group Management Committee since January 2009. He is the head of Ayala's Energy and Infrastructure Group since September 2014. He is a Director of publicly listed companies namely: Manila Water Company, Inc. and Integrated Micro-Electronics, Inc. He is also a member of the Board of Directors of the following companies within the Ayala Group: LiveIt Investments Ltd., Ayala Education, Inc., Ayala Aviation Corporation, Northwind Power Development Corporation, North Luzon Renewable Energy Corporation, South Luzon Thermal Energy Corporation, GNPowder Mariveles Coal Plant Ltd., GNPowder Kauswagan Ltd. Company, GNPowder Dinginin Ltd. Company, Monte Solar Energy Corporation, Quadriver Energy Corporation, AF Payments, Inc., Light Rail Manila Corporation, MCX Tollway, Inc. and HCM City Infrastructure Investment Joint Stock Company. Mr. Francia was the head of the Company's Corporate Strategy and Development Group, which is responsible for overseeing Ayala's portfolio strategy and new business development, from January 2009 to September 2014. Prior to joining Ayala, Mr. Francia was a senior consultant and member of the management team of Monitor Group, a strategy consulting firm based in Cambridge, Massachusetts, USA. Prior to consulting, he spent a few years in the field of academe and media. He received his undergraduate degree in Humanities and Political Economy from the University of Asia & the Pacific, graduating magna cum laude. He then completed his Master's Degree in Management Studies at the University of Cambridge in the UK, graduating with First Class Honors.

Solomon M. Hermosura, Filipino, 53, has served as Managing Director of Ayala Corporation since 1999 and a member of the Ayala Corporation Management Committee since 2009 and the Ayala Group Management Committee since 2010. He is also the Group Head of Corporate Governance, General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He is the CEO of Ayala Group Legal. He serves as the Corporate Secretary and Group General Counsel of Ayala Land, Inc., and Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., Integrated Micro-Electronics, Inc. and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He graduated valedictorian with Bachelor of Laws degree from San Beda College in 1986 and placed third in the 1986 Bar Examination.

Jose Teodoro K. Limcaoco, Filipino, 53, is the Chief Finance Officer and Finance Group Head of Ayala Corporation since April 2015. He is the Chairman of Ayala Healthcare Holdings, Inc., Ayala Hotels, Inc., Darong Agricultural and Development Corporation, Zapfam Inc., and Water Capital Works, Inc. He is the President of Liontide Holdings, Inc. and of Philwater Holdings Company, Inc. He is a Director of AC Energy Holdings, Inc., Ayala Aviation Corporation, Ayala Education, Inc., Asiacom Philippines, Inc., AG Counselors Corporation, Michigan Holdings, Inc., BPI Globe Banko, LICA Management Inc., and Just For Kids, Inc. He is a director of Ayala Automotive Holdings Corporation effective January 19, 2016. He is an independent director of SSI Group, Inc., a publicly listed company. He joined Ayala Corporation as a Managing Director in 1998. Prior to his appointment as CFO in April 2015, he held various responsibilities including President of BPI Family Savings Bank, President of BPI Capital Corporation, Officer-in-Charge for Ayala Life Assurance, Inc. and Ayala Plans, Inc., Trustee and Treasurer of Ayala Foundation, Inc., President of myAyala.com, and CFO of Azalea Technology Investments, Inc. He has held prior positions with JP Morgan & Co. and with BZW Asia. He graduated from Stanford University with a BS Mathematical Sciences (Honors Program) in 1984 and from the Wharton School of the University of Pennsylvania with an MBA (Finance and Investment Management) in 1988.

Ruel T. Maranan, Filipino, 53, is a Managing Director of Ayala Corporation since January 1, 2015. He also serves as President of Ayala Foundation, Inc. since March 1, 2015. He was the Group Director of Manila Water Company, Inc. (MWC)'s Corporate Human Resources Group from 2004 to 2014. Before joining MWC, he was part of various organizations such as Globe Telecom, Inc., Vitarich Corporation, and Integrated Farm Management, among others. In MWC, he introduced numerous innovations in human resources management, rallying behind the company's being the first Filipino company to win the prestigious Asian Human Capital Award in 2011, an award sponsored by the Singapore Ministry of Manpower, CNBC Asia-Pacific, and INSEAD. Through his leadership in human resources, MWC was vested the 2006 Outstanding Employer of the Year by the People Management Association of the Philippines. Mr. Maranan earned his AB Social Sciences degree from the Ateneo de Manila University and his law degree from the University of Santo Tomas. He has also completed the Harvard Leadership Management Program.

John Philip S. Orbeta, Filipino, 54, has served as a member of the Ayala Corporation Management Committee since May 2005 and the Ayala Group Management Committee since April 2009. He is currently the Managing Director and Group Head for Corporate Resources, covering Strategic Human Resources, Knowledge Management, Information & Communications Technology and Corporate Support Services at Ayala Corporation. He is the President and CEO of Ayala Automotive Holdings Corporation and Automobile Central Enterprise, Inc. (Philippine importer of Volkswagen). He is the Chairman and CEO of Honda Cars Makati, Inc., and Isuzu Automotive Dealership, Inc.; Chairman and President of Iconic Dealership, Inc.; and Chairman of Ayala Aviation Corporation and HRMall, Inc./IQBack Office. He also serves as a Director of AG Counselors Corporation, BPI Family Bank, Inc., ALFM Growth Fund, Inc., ALFM Money Market Fund, Inc., ALFM Peso Bond Fund, Inc., ALFM Dollar Bond Fund, Inc., ALFM Euro Bond Fund, Inc. and the Philippine Stock Index Fund Corp. He is concurrently the Chairman of the following councils at the Ayala Group: Human Resources Council, Corporate Security Council, and the Ayala Business Clubs and is the Program Director of the Ayala Young Leaders Congress. Prior to joining Ayala Corporation, he was the Vice President and Global Practice Director of the Human Capital Consulting Group at Watson Wyatt Worldwide (now Towers Watson), overseeing the firm's practices in executive compensation, strategic rewards, data services and organization effectiveness around the world. He was also a member of Watson Wyatt's Board of Directors. He graduated with a degree in A.B. Economics from the Ateneo de Manila University in 1982.

Catherine H. Ang, Filipino, 45, is the Company's Chief Audit Executive since July 2013. She joined the Company in February 2012 as Head for Risk Management and Sustainability Program Director. Currently, she also holds the following positions: Director of Technopark Land, Inc., Audit and Risk Committee Chairperson of IQ BackOffice Holdings, Ltd., Audit and Risk Committee Member of Affinity Express Holdings, Ltd., AC Energy Holdings, Inc., AC Infrastructure Holdings Corporation, Ayala Automotive Holdings Corporation, and Ayala Multi-Purpose Cooperative, Finance Committee Chair of FINEX Foundation, and Scorecard Circle Chair of the Institute of Corporate Directors. Prior to joining Ayala Corporation, she was the Chief Audit Executive of Globe Telecom, Inc. where she started as an Internal Audit Manager in 1996 and rejoined the company in 2000. In 1998, she joined PricewaterhouseCoopers - Singapore as Manager for Operational and Systems Risk Management. She started her career at SGV & Co in 1991 as a financial and IT auditor. She was also the Chair of the Board of Trustees in 2014 and a member of the Board of Directors from 2009 to 2013 of The Institute of Internal Auditors – Philippines. She is a Certified Public Accountant and a Fellow of the Institute of Corporate Directors. She graduated magna cum laude from Saint Louis College in 1991 with a degree in Bachelor of Science in Commerce major in Accounting.

Ma. Cecilia T. Cruzabra, Filipino, 50, has served as Treasurer of Ayala Corporation since January 1, 2014. Currently, she also holds the following positions: President/Director of AYC Finance Limited; Director and Treasurer of Technopark Land, Inc. Zapfam, Inc., Pameka Holdings, Inc. and Ayala Healthcare Holdings, Inc.; Chief Finance Officer and Treasurer of Ayala Group Club, Inc.; Director of AC Infrastructure Holdings Corp., Michigan Holdings, Inc., Philwater Holdings, Inc., MCX Tollway, Inc., AYC Finance Limited, AYC Holdings Limited and Bayan Telecommunications, Inc.; Treasurer of ACST Business Holdings, Inc., Asiacom Philippines, Inc., Azalea International Venture Partners Ltd., Lagdigan Land Corporation and Purefoods International Limited, Purefoods International Limited and Water Capital Works, Inc. She is also an Adjunct Faculty at the Asian Institute of Management. Prior to joining Ayala, she was the Director/Treasurer of Halo Holdings and the Subsidiaries and the Corporate Finance Head of ALC Explo and General Services, Inc. and the Chairman of the Board and President of Altimax Broadcasting Co., a subsidiary of Halo Holdings. She also served as the Treasury and Enterprise-Wide Risk Management Head of Globe Telecom, Inc. from 1997 to 2006. She earned a degree in Bachelor of Arts in Economics (Honors Program) from Ateneo de Manila University in 1986 and took her Master's in Business Management at the Asian Institute of Management in 1990.

Josephine G. De Asis, Filipino, 44, has been the Controller of Ayala Corporation since August 2012. Currently, she also holds the following positions: Chairwoman of PPI Prime Ventures, Inc., Director and Chief Finance Officer of Azalea International Venture Partners Ltd., Azalea Technology Investments, Inc. and Pameka Holdings, Inc., Director of Darong Agricultural & Development Corporation, Technopark Land, Inc., and Water Capital Works, Inc., and Zapfam, Inc. ; Chief Finance Officer of AG Counselors Corporation and Michigan Holdings, Inc.; and Audit and Risk Committee Member of AC Energy Holdings, Inc. and AC Infrastructure Holdings Corporation. Prior to joining Ayala Corporation, she served as the Head of Financial Control Division of Globe Telecom, Inc. from 2010 to 2012 and Controller of the Wireless Business of Globe Telecom, Inc. from 2005-2010. She is a Certified Public Accountant. She graduated with a degree in BS Accountancy (summa cum laude) from Polytechnic University of the Philippines in 1991 and attended an Executive Management Program from the University of California Los Angeles in 2004-2005.

Charlene Mae C. Tapic-Castro, Filipino, 32, has served as Assistant Corporate Secretary of Ayala Corporation since April 2015. She is also the Assistant Corporate Secretary of Integrated Micro-Electronics, Inc., Ayala Foundation, Inc., Ayala Healthcare Holdings, Inc., Ayala Education, Inc., LiveIt Investments Limited, and other companies within the Ayala Group to which she also provides other legal services. Prior to joining Ayala Group Legal in April 2014, she was a State Counsel at the Department of Justice and OIC-Deputy Director for Training of the Office for Alternative Dispute Resolution. She graduated with a Bachelor of Law degree from San Beda College in 2009 and placed second in the 2009 Bar Examination. She earned a degree in Bachelor of Arts in Speech Communication with honors from the University of the Philippines-Diliman.

Dodjie D. Lagazo, Filipino, 36, has served as Assistant Corporate Secretary of Ayala Corporation since April 10, 2015. He is a Director of Ayala Group Legal and the Head of Legal and Regulatory of Ayala Corporation's Energy and Infrastructure Group (EIG). He handles various corporate secretarial functions for a number of companies within EIG and the Generika Group of Companies. He was a Division Manager of Ayala Land, Inc. (ALI) from 2007 to 2012. Prior to joining ALI in 2007, he was an Associate at SyCip, Salazar, Hernandez & Gatmaitan Law Offices. He graduated magna cum laude with a degree of Bachelor of Arts in Political Science in 1999, and earned a degree in Bachelor of Laws in 2003, both from the University of the Philippines, Diliman.

ANNEX “B”

MANAGEMENT REPORT

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

2015

Ayala Corporation’s net income expanded 20 percent to ₱22.3 billion in 2015, beating its target a year earlier than planned. This was primarily driven by the solid performance of its real estate and telecommunications businesses and lifted by contributions from its power generation unit.

Excluding capital gains primarily from the partial sale of AC Energy’s stake in North Luzon Renewables in 2015 and from the divestment of Stream Global Services in the previous year, Ayala’s net earnings actually grew 24 percent year-on-year.

Consolidated Sale of Goods and Services

Sale of goods and rendering services grew 11 percent to ₱174 billion largely driven by the the double-digit growth in real estate revenues. This was boosted by higher sales in the Honda and Isuzu dealerships of Ayala Automotive. This accounted for 84 percent of total income at the end of 2015.

Real Estate

The sustained performance of its residential and office developments and commercial leasing segments drove Ayala Land’s net income in 2015, which reached ₱17.6 billion, 19 percent higher year-on-year.

Revenues from the residential business expanded 12 percent to ₱58 billion on new bookings and project completion. Reservation sales rose 4 percent to ₱105.3 billion, of which 25 percent account for overseas Filipino buyers. New launches and higher completion of office developments fueled the 32 percent growth in office space sales, which reached ₱6.4 billion during the year.

The higher occupancy and average rental rates of its shopping centers and office spaces combined with steady improvement of its hotels and resorts portfolio lifted Ayala Land’s commercial leasing revenues, which climbed 16 percent to ₱24.5 billion.

Ayala Land’s sustained earnings momentum during the year was further supported by the improved margin performance across its product lines as well as efficient cost management measures with earnings before interest and taxes (EBIT) margin at 29 percent from 27 percent a year ago.

Ayala Land continued to build up its recurring income business, with malls, office, and hotels and resorts accounting for 34 percent of its net earnings in 2015.

Ayala Land’s capital spending during the year reached ₱82 billion. This year, it has earmarked ₱85 billion to support its pipeline of projects.

Water

As it ramps up its businesses outside Metro Manila, Manila Water posted a 2 percent-growth in consolidated net income to ₱6 billion. Revenues rose 4 percent to ₱16.9 billion backed by a 2 percent growth in billed volume.

Earnings contribution from non-East Zone investments rose 46 percent, accounting for 16 percent of Manila Water’s net income during the year. Billed volume of its domestic units, which include Boracay Water, Clark Water, Laguna Water and Cebu Manila Water Development, climbed 30 percent. Manila Water’s investments in Vietnam, which include bulk water companies Thu Duc Water and Kenh Dong Water and a stake in Saigon Water, contributed ₱404 million in net income, up 13 percent from the previous year.

In the East Zone, Manila Water expanded its coverage areas in Pasig, Taguig, Marikina, and Rizal, resulting in a 3 percent growth in billed volume, balancing out the impact of the tariff reduction.

Manila Water continues to expand its portfolio of businesses. In January, it signed an agreement with Ayala Land to provide water and used water services to all its developments nationwide. In addition, its 5-gallon bottled water product under the brand name “Healthy Family” opened three new plants in the fourth quarter of 2015 with a combined capacity of 43,000 bottles per day.

Electronics

Integrated Micro-Electronics Inc. reported a flat net income of \$28.8 million (or ₱1.3 billion) year-on-year, owing to the volatility in the foreign currency markets and weakness in China’s economy, one of its largest markets. Enhanced portfolio mix and cost efficiency initiatives across IMI’s operations covered for the softness in revenues.

Revenues of \$814.4 million (or ₱37 billion) dropped 4 percent from a year ago mainly due to a weak euro and downturn in the computing and telecommunications segments. Excluding the impact of changes in currency exchange, automotive revenues climbed 21 percent, while total revenues rose 2 percent.

The revenue headwinds were offset by IMI’s strong volume growth in the automotive segment. IMI’s China operations recorded \$279.3 million in revenues during the year, a 14 percent decline from the previous year as the 4G telecommunications network rollout in China reaches its projected volume coupled with a slowdown in the consumer electronics segment.

IMI’s Europe and Mexico operations ended flat, with combined revenues of \$267.4 million as a result of weakness in the euro. IMI’s electronics manufacturing services operations in the Philippines posted \$225.3 million in revenues, a 10 percent growth from a year ago due to a strong demand for automotive cameras and security and access control devices.

Power Generation

AC Energy Holdings recorded a net income of ₱2.1 billion during the year as its power generation assets came online and achieved more efficient operating levels. Furthermore, it realized gains from the partial sale of its stake in North Luzon Renewables, an 81-megawatt wind farm in Ilocos Norte.

AC Energy currently has an attributable capacity of approximately 600 megawatts in its portfolio among conventional and renewable power projects currently in operations and under construction. It expects this capacity to reach close to 1,000 MW by 2016 once the first phase of its 2x660 GN Power plant in Dinginin, reaches financial close. In renewable energy, AC Energy’s 18 MW solar power farm, Monte Solar Energy Inc., started commercial operations in February. In conventional energy, the second 135 MW unit of its thermal plant, South Luzon Thermal Energy Corporation in Calaca, Batangas, also started commercial operations in February. In addition, the first unit of its 4x138 GN Power plant in Kauswagan is expected to be completed in the fourth quarter of 2017.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures expanded 14 percent to ₱15 billion bolstered by higher equity in net earnings from Globe Telecom (Globe), and Bank of the Philippine Islands (BPI), and wind and coal businesses of AC Energy.

Banking

Bank of the Philippine Islands reported net earnings of ₱18.2 billion in 2015, up 1.1 percent, as the bank’s core lending business continued to drive growth, reducing reliance on securities trading.

BPI’s total revenues rose 6.4 percent to ₱59.4 billion driven by net interest income, which grew 11 percent to ₱38.6 billion on the back of higher average asset base. Non-interest income dropped 1.2 percent to ₱20.7 billion as the bank’s trading performance weathered a volatile year, with foreign exchange and securities trading posting gains of ₱2.9 billion.

Net loans expanded 9 percent to ₱872.9 billion, comprising 78 percent corporate and 22 percent retail borrowers. Deposits grew 8.5 percent to ₱1.3 trillion year-on-year. The bank registered a current and savings account ratio of 72.3 percent. Cost-to-income ratio remained at 53.7 percent, while total assets stood at ₱1.5 trillion, up 4.6 percent from a year ago.

Despite the increase in its loan portfolio, the bank maintained strong asset quality and remained well capitalized with gross 90-day non-performing loans (NPL) level at 1.6 percent of total loans in the fourth quarter of 2015 from 1.8 percent in the previous quarter. BPI's loan loss cover stood at 110.2 percent, excluding the value of collaterals. BPI ended the year with total capital of ₱150.3 billion, net of cash dividends declared, 4.3 percent higher than the previous year. This resulted in BASEL III capital adequacy ratio of 13.6 percent at the end of 2015.

Telecommunications

Globe Telecom posted another record year, with net income surging 23 percent to ₱16.5 billion buoyed by the solid revenue trajectory from demand for data services across mobile, broadband, and fixed line segments. The ₱1.2 billion gain from the sale of its 51 percent stake in Yondu Inc. also lifted Globe's earnings during the year. Core net income, which excludes one-time adjustments, grew 4 percent.

Service revenues jumped 15 percent to ₱113.7 billion. Mobile revenues grew 9 percent to ₱85.1 billion on sustained growth in the postpaid segment, up 7 percent, coupled with faster expansion coming from the prepaid segment, up 10 percent. Similarly, mobile subscribers reached 52.9 million at the end of 2015, a 20 percent-increase from the previous year. Postpaid subscribers grew 6 percent, while prepaid subscribers jumped 21 percent. As it continued to roll out infrastructure improvements in its data network, Globe mobile data revenues expanded 55 percent to ₱22.1 billion.

In its broadband business, which now includes Bayan Telecommunications, Globe's revenues and subscriber base climbed 38 percent to ₱17.5 billion and 55 percent to 4.3 million, respectively. Excluding the impact of Bayan's consolidation in the second half of 2015, Globe's full year broadband service revenues grew 27 percent year-on-year to ₱16.1 billion.

EBITDA expanded 17 percent to ₱45.8 billion, with EBITDA margin steady at 40 percent.

Globe spent about ₱32.1 billion in capital expenditures in 2015 primarily to support its data infrastructure requirements. This year, it has programmed \$700 to \$750 million in capital spending to fund its data network initiatives.

Interest Income

Interest income rose 33 percent to ₱7.3 billion during the period owing to higher investible funds and accretion income from Ayala Land's installment sales.

Other Income

Other income expanded 23 percent to ₱11.3 billion owing to strong growth in the other income of Ayala Land, Manila Water, and Ayala Automotive, lifted by the gain from AC Energy's partial divestment of its stake in its wind farm. In the previous year, Ayala's other income included the divestment gain from Stream amounting to ₱1.8 billion.

Costs and Expenses

Consolidated cost of sales increased 10 percent to ₱123 billion as a result of higher sales of the real estate and automotive groups.

Consolidated general and administrative expenses rose 14 percent to ₱18.1 billion, mainly due to combined increments in the expenses of parent company's and Ayala Land's manpower costs, provisions and depreciation expense, Ayala Automotive's marketing costs, and AC Energy's project and business development expenses.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges grew 11 percent to ₱13.3 billion during the year on the back of higher loans secured by Ayala Land to fund its new and expansion projects.

The Ayala group's total debt increased 2 percent from its year-ago level to ₱263.3 billion at the end of 2015. The higher debt levels of Ayala Land, Ayala Automotive, and AC Energy was offset by the parent company's lower debt level, which decreased 7 percent to ₱93.6 billion at the end of 2015.

Balance Sheet Highlights

Cash and cash equivalents as of the end of the year decreased 9 percent to ₱82 billion primarily driven by the parent company's payment of loans, dividends, and placements in short-term investments. In addition, Ayala Land's funding requirements for its projects and investment in MCT Malaysia contributed to the decline, partially offsetting the divestment proceeds from AC Energy.

Current accounts and notes receivable registered a 14 percent growth to ₱82.6 billion attributed to Ayala Land's higher residential sales and rental receivable from mall merchants. This was supported by Ayala Automotive's higher vehicles sales combined with receivables from the AC Energy's partial sale of its stake in its wind farm.

Other current assets decreased 21 percent to ₱27.6 billion mainly driven by Ayala Land's redemption of UITF investments and the maturity of its other current investments and lower deposits and escrow accounts.

Ayala's balance sheet remains healthy with parent company net debt to equity ratio at 0.44 to 1 and consolidated net debt to equity ratio at 0.55 to 1.

Outlook for 2016

Overall, Ayala believes the Philippines continues to be fundamentally strong, having remained resilient amid the challenges in the global economy. In 2016, Ayala expects most of its business units to continue growing at a healthy pace. Further, it continues to strengthen its growing portfolio of power and infrastructure investments, with various projects coming to fruition. In particular, it expects its power business to sustain its positive earnings trajectory in 2016.

Ayala maintains a healthy balance sheet with access to various funding options to meet requirements. It remains vigilant in tracking economic indicators and other relevant metrics across the group to give it a pulse on the economy.

Key performance indicators of the Company and its significant subsidiaries

The table sets forth the comparative key performance indicators of the Company and its significant subsidiaries.

Ayala Corporation (Consolidated)

(In million pesos, except ratios)

	2015	2014	2013
Income	207,667	184,276	159,412
Net Income Attributable to Equity Holders	22,279	18,609	12,778
Total Assets	794,075	726,048	599,664
Total Debt	263,341	258,845	205,681
Stockholders' Equity ¹	208,657	185,664	143,476
Current Ratio ²	1.28	1.50	1.46
Debt to Equity Ratio ³	1.26	1.39	1.43

Ayala Land, Inc.

(In million pesos, except ratios)

	2015	2014	2013
Revenue	107,183	95,197	81,523
Net Income Attributable to Equity Holders	17,630	14,803	11,742
Total Assets	442,342	388,944	325,474
Total Debt	130,996	124,666	101,902
Stockholders' Equity ¹	133,731	106,940	98,470

Current Ratio ²	1.14	1.22	1.45
Debt to Equity Ratio ³	0.98	1.17	1.03

Integrated Micro-Electronics, Inc.

(In thousand US dollars, except ratios)

	2015	2014	2013
Revenue	814,364	844,474	745,032
Net Income Attributable to Equity Holders	28,790	29,117	10,473
Total Assets	516,535	552,707	488,229
Total Debt	119,899	112,194	110,257
Stockholders' Equity ¹	232,243	244,051	192,650
Current Ratio ²	1.54	1.73	1.53
Debt to Equity Ratio ³	0.52	0.46	0.57

Manila Water Company, Inc.

(In million pesos, except ratios)

	2015	2014	2013
Revenue	16,936	16,357	15,926
Net Income Attributable to Equity Holders	5,958	5,813	5,752
Total Assets	80,608	74,860	72,858
Total Debt	26,220	25,471	26,252
Stockholders' Equity ¹	38,825	34,508	30,477
Current Ratio ²	0.80	1.16	1.12
Debt to Equity Ratio ³	0.68	0.74	0.86

¹ Stockholders' Equity attributable to owners of the Parent.

² Current Assets/ Current Liabilities.

³ Total Debt/ Stockholders' Equity¹ (Total Debt includes short-term debt, long-term debt and current portion of long-term debt).

**Causes for any material changes
(Increase or decrease of 5% or more in the financial statements)**

Balance Sheet Items

As of December 31, 2015 (Audited) vs. December 31, 2014 (Audited)

Cash and cash equivalents – 9% decrease from ₱90,770 million to ₱82,154 million

Primarily due to AC Parent's payment of loans, dividends and placements to Short-term investment; AYC's placements and loan payment; ALI's funding of new and expansion projects and investment in MCT Malaysia; offset partially by proceeds from sale of investment by ACEHI. This account is at 10% and 13% of the total assets as of December 31, 2015 and December 31, 2014, respectively.

Short-term investments – 86% higher from ₱1,103 million to ₱2,052 million

Due to additional placements made by AC Parent for the period. This account is at less than 1% of the total assets as of December 31, 2015 and 2014.

Accounts and notes receivable (current) – 14% increase from ₱72,710 million to ₱82,596 million

Increase attributable to ALI group's higher sales of residential units and rental receivable from mall merchants; Automotive group's increase in vehicle sales plus receivables relating to sale of investment by ACEHI. This account is at 10% of the total assets as of December 31, 2015 and 2014.

Inventories – 25% increase from ₱54,962million to ₱68,431 million

Increase pertains to ALI group's higher completed inventories for new and existing projects (mainly residential business) and Automotive group's higher vehicle inventory. This account is at 9% and 8% of the total assets as of December 31, 2015 and December 31, 2014, respectively.

Other current assets – 21% decrease from ₱35,157million to ₱27,617 million

Decrease mainly due to ALI group's redemption of UITF investments, maturity of other current investments and decline in deposits/escrow accounts. This account is at 3% and 5% of the total assets as of December 31, 2015 and December 31, 2014, respectively.

Accounts and notes receivable (noncurrent) – 31% increase from ₱32,006 million to ₱41,793 million

Increase attributable to ALI group's higher sales of residential units. This account is at 5% and 4% of the total assets as of December 31, 2015 and December 31, 2014, respectively.

Land and improvements – 16% increase from ₱79,960 million to ₱92,895 million

Increase comprised of ALI group's additional investment properties (malls, office buildings and land acquisitions). This account is at 12% and 11% of the total assets as of December 31, 2015 and December 31, 2014, respectively.

Investments in associates & joint ventures – 7% increase from ₱152,765 million to ₱162,711 million

Increase attributable to investments of ALI into MCIT Malaysia and AC Infra into LRMC; and improved earnings of BPI and Globe; offset by partial disposal of investment in Philwind of ACEHI. This account is at 20% and 21% of the total assets as of December 31, 2015 and December 31, 2014, respectively.

Investment in bonds and other securities – 9% increase from ₱3,432 million to ₱3,738 million

Mainly due to Bestfull's additions in investment shares. This account is less than 1% of the total assets as of December 31, 2015 and 2014.

Investment properties – 17% increase from ₱71,324 million to ₱83,669 million

Increase comprised of ALI group's additional investment properties (malls, office buildings and land acquisitions). This account is at 11% and 10% of the total assets as of December 31, 2015 and December 31, 2014, respectively.

Property, plant and equipment – 42% increase from ₱27,953 million to ₱39,644 million

Increase mainly due to ALI group's additional properties (malls, office buildings and land acquisitions); Energy sector's construction in progress and land & building acquisitions for various projects; IMI's expansion in Europe and Education's acquisition of UNC. This account is at 5% and 4% of the total assets as of December 31, 2015 and December 31, 2014, respectively.

Service concession assets – 5% increase from ₱74,837 million to ₱78,829 million

Increase caused by MWCI's additions to its concession assets/ projects. This account is at less than 10% of the total assets as of December 31, 2015 and 2014.

Intangible assets – 7% decrease from ₱4,183 million to ₱3,910 million

Decrease attributed to Energy sector's provision for impairment of certain asset. This account is at less than 1% of the total assets as of December 31, 2015 and 2014.

Deferred tax assets – 21% increase from ₱8,055 million to ₱9,743 million

Increase resulted from ALI group's higher deferred tax asset due to tax effect of temporary difference from sale and collection of booked accounts. This account is at 1% of the total assets as of December 31, 2015 and 2014.

Pension and other noncurrent assets - 15% decrease from ₱16,830 million to ₱14,291 million

Decrease attributable to maturity of non-current cash of AYC Finance offset by ALI group's higher pre-operating expenses, deferred charges and down payments pertaining to new projects. The account also includes the Group's pension asset which has no significant movement for the period.⁸ This account is at 2% of the total assets as of December 31, 2015 and December 31, 2014.

⁸ The Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Company, governed by a board of trustees appointed under a Trust Agreement between the Company and the initial trustees. It holds common and preferred shares of the Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by a committee appointed by the fund's trustees for that purpose. The members of the committee, all of whom are Managing Directors of the Company, are Jose Teodoro K. Limcaoco. (the Company's Chief Finance Officer, Chief Risk Officer & Finance Group Head), Solomon M. Hermosura (the Company's Group Head of Corporate Governance, General Counsel, Corporate Secretary & Compliance Officer), John Philip S. Orbeta (the Company's Head for Strategic Human Resources), Ma. Cecilia T. Cruzabra (the Company's Treasurer), and Josephine G. de Asis (the Company's Comptroller). ACEWRF has not exercised voting rights over any shares of the Company that it owns.

Accounts payable and accrued expenses - 15% increase from ₱126,102 million to ₱145,598 million

Increase caused by higher trade payables and accruals of ALI group for its new and existing projects (including higher construction payables); ACEHI's higher project development costs; offset by AC's settlement of dividends payable. This account is at 31% and 29% of the total liabilities as of December 31, 2015 and December 31, 2014, respectively.

Short-term debt – 5% increase from ₱21,084 million to ₱24,387 million

Mainly due loan availment of AC Parent and Automotive group; offset by net debt settlement of the ALI group. This account is at 5% of the total liabilities as of December 31, 2015 and 2014.

Long-term debt (current) – 162% increase from ₱10,761 million to ₱28,154 million

Mainly attributable to AC, MWCI and AYC groups' reclassification of loans maturing this year and ALI's loan availment this year. This account is at 6% and 2% of the total liabilities as of December 31, 2015 and December 31, 2014, respectively.

Service concession obligation (current) – 23% increase from ₱1,020 million to ₱1,256 million

Increase was due to MWCI's higher computed and actual obligation due within one year. This account is at less than 1% of the total liabilities as of December 31, 2015 and 2014.

Other current liabilities – 51% decrease from ₱9,452 million to ₱4,630 million

Net decrease was mainly due to ALI group's payment to various contractors and release of retention payable from projects; offset by payables of Health and Education groups to sellers of Generika and UNC, respectively. This account is at 1% and 2% of the total liabilities as of December 31, 2015 and December 31, 2014.

Long-term debt (noncurrent) – 7% decrease from ₱226,999 million to ₱210,800 million

Due to settlements and reclassification to current loans of AC, MWCI and AYC groups partly offset by net loan availment of ALI group. This account is at 45% and 52% of the total liabilities as of December 31, 2015 and December 31, 2014, respectively.

Pension liabilities – 17% increase from ₱2,180 million to ₱2,546 million

Increase relates to liabilities due to higher service cost and impact of remeasurement unrealized gain/losses per year-end actuarial reports (PAS19). This account is at less than 1% of the total liabilities as of December 31, 2015 and December 31, 2014.

Other current liabilities – 26% increase from ₱25,641 million to ₱32,239 million

Increase on account of ALI group's higher accounts re: inventory/ projects and deposits. This account is at 7% and 6% of the total liabilities as of December 31, 2015 and December 31, 2014,, respectively.

Cumulative translation adjustments - 148% increase (improvement) from negative ₱604 million to positive ₱288 million

Upward impact due to slight year-on-year depreciation of PhP vs US\$ (47.06 in 2015 vs. 44.72 in 2014).

Cost of share based payments – 51% increase from ₱377 million to ₱569 million

Pertains to exercise of stock options of AC employees.

Remeasurement gains on defined benefit plan – 24% decrease from negative ₱1,006 million to ₱1,250 million

Decrease attributable to the effect of PAS 19- immediate recognition of service cost and re-measurement of unrealized actuarial gains or losses

Net unrealized gain on available-for-sale financial assets – 76 times decrease from negative ₱7 million to negative ₱554 million

Pertains to the movement in the market value of securities held by BPI group as available for sale financial assets.

Equity reserve – 66% increase from ₱7,478 million to ₱12,402 million

Increase mainly came from AC's dilution resulting from ALI's top-up placement in January 2015.

Retained earnings – 16% increase from ₱107,040 million to ₱124,468 million

Represents share in full year 2015 group net income, reduced by the amount of dividends declared.

Non-controlling interests – 18% increase from ₱101,202 million to ₱119,887 million

Includes share in full year 2015 group net income, effect of ALI's top-up placement, share in dividends declared and share in other comprehensive income.

Income Statement items

For the Year Ended December 31, 2015 (Audited) vs. December 31, 2014 (Audited)

Sale of goods and rendering services – 11% increase from a total of ₱156,417 million to ₱174,035 million

Growth in sale of goods came primarily from higher sales of ALI and Automotive groups. ALI posted double-digit growth in revenues on sustained demand for real estate development. Automotive group's higher sales were driven by Honda and Isuzu. Higher revenues from rendering of service resulted from higher occupancy rate of ALI's leasing and hotel operations. As a percentage to total income, this account is at 84% and 85% in December 31, 2015 and December 31, 2014, respectively.

Share of profit of associates and joint ventures – 14% increase from ₱13,185 million to ₱15,038 million

Increase significantly from the higher equity in net earnings of Globe (on subscriber-based revenue growth), BPI (on higher net interest income); and wind and coal business of ACEHI. As a percentage to total income, this account is at 7% in December 31, 2015 and 2014.

Interest income – 33% increase from ₱5,494 million to ₱7,297 million

Mainly from ALI, AC and AYC groups higher investible funds and higher accretion income on installment sales of ALI. This account is at 4% and 3% of the total income in December 31, 2015 and December 31, 2014, respectively.

Other income – 23% increase from ₱9,180 million to ₱11,297 million

Increase on account of combined improvements in other income of ALI (management income), MWC (rehabilitation works) and Automotive (automotive collateral business) groups plus the realized gain from AC Energy's partial divestment of one of its wind power business (₱1.5 billion). Last year's balance included the divestment gain from Stream (₱1.8 billion). This account is at 5% of the total income in December 31, 2015 and 2014.

Cost of sales and rendering services – 10% increase from ₱112,269 million to ₱123,061 million

Increase resulting from higher sales of ALI and Automotive groups. As a percentage to total costs and expenses, this account is at 77% and 78% in December 31, 2015 and December 31, 2014, respectively.

General and administrative expenses – 14% increase from ₱15,831 million to ₱18,052 million

Increase mainly on combined increments in expenses of ALI and AC (manpower costs), Automotive (marketing) and Energy (costs related to commencement of project operations) groups. As a percentage to total costs and expenses, this account is at 11% in December 31, 2015 and 2014.

Interest expense and other financing charge – 11% increase from ₱11,934 million to ₱13,276 million

Increase attributable to higher loans of ALI group to fund new and expansion projects. As a percentage to total costs and expenses, this account is at 8% in December 31, 2015 and 2014.

Other charges – 56% increase from ₱3,829 million to ₱5,970 million

Increase mainly on higher rehabilitation works costs of MWCI. As a percentage to total costs and expenses, this account is at 4% and 3% in December 31, 2015 and December 31, 2014.

Provision for income tax (current and deferred) – 11% increase from ₱8,138 million to ₱9,012 million

Primarily due to higher taxable income of several subsidiaries significant part of which comes from ALI and MWCI groups on account of better sales and other operating results.

Income attributable to Owners of the parent – 20% increase from ₱18,609 million to ₱22,279 million

Increase resulting from better performance of most subsidiaries and associates of the Group.

Income attributable to Non-controlling interests – 17% increase from ₱13,665 million to ₱16,016 million

Better operating results of most of the subsidiaries of the Group.

There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

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

Likewise, there were no 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.

There are no seasonal aspects that may have a material effect on the financial condition of the Company.

2014

Ayala Corporation's consolidated net income attributable to equity holders expanded 46 percent in 2014 to P18.6 billion, primarily driven by the solid performance of its real estate, telecom and electronics manufacturing units and boosted by a net gain from the divestment of Stream.

On a core net income basis or without the impact of accelerated depreciation from its telecom unit's network transformation initiative in the previous year, Ayala grew 25% in 2014. This is the third consecutive year of above-20% growth for the conglomerate as its diversified portfolio of investments benefited from the country's economic gains over the past three years.

Consolidated Sale of Goods and Services

Growth was achieved on the back of a 16% increase in consolidated revenues which reached P184.3 billion. Sale of goods rose 13% to P105.1 billion, while rendering of services grew 16% to P51.3 billion. This was driven by improved residential sales at Ayala Land Inc. coupled with higher revenues generated by Integrated Micro-Electronics Inc. and increased billed volume recorded by Manila Water Company Inc.

Real Estate

As the positive momentum in the real estate sector continued, Ayala Land's net income expanded 26 percent to P14.8 billion year-on-year. The robust performance of its property development and commercial leasing operations, which rose 21 percent and 18 percent, respectively, fuelled the 18 percent-growth in Ayala Land's real estate revenues to P93 billion. Residential revenues reached P55.9 billion, up 26 percent from a year ago on new bookings and completion of existing residential projects. Residential sales take-up remained strong, hitting an all-time high of P102 billion, 11 percent higher year-on-year. Sales from overseas Filipinos likewise improved as it now comprise 24 percent of Ayala Land's residential bookings, which grew 13 percent to P76.7 billion. The sale of office spaces in Bonifacio Global City and Cebu likewise fuelled Ayala Land's real estate revenues in 2014.

Electronics

In electronics manufacturing, Integrated Micro-Electronics Inc. (IMI) recorded solid growth in 2014 with net income soaring nearly threefold to \$29.1 million from its year-ago level. Revenue growth was robust, up by 13 percent, to \$844.5 million, outpacing the global electronics manufacturing services, which posted around 6 percent growth. Strong demand from the telecom, automotive and storage device markets helped lift IMI's revenues in 2014.

IMI successfully completed its follow-on offering in December 2014. It listed 215 million common shares, raising P1.6 billion in proceeds and increasing its public float level to 19 percent.

Water

Manila Water ended 2014 at a steady pace, registering a one percent growth in consolidated net income to P5.8 billion primarily driven by improved billed volume and higher contribution from new businesses.

Notwithstanding the absence of a tariff adjustment, the East Zone concession posted profits of ₱5.1 billion on the back of a 4 percent growth in billed volume owing to a modest increase in service connections. Manila Water sustained its nonrevenue water (NRW) in the East Zone at 11.3 percent.

Manila Water's operating units outside the East Zone concession all sustained solid growth in billed volume. Laguna Water registered a 52 percent jump in profits to ₱164 million following the acquisition of the water reticulation system of Laguna Technopark Inc in January 2014 and new service connections. Boracay Water and Clark Water both posted double-digit growth, expanding 32 percent and 17 percent, respectively. Manila Water's Vietnam-based associates, Thu Duc Water, Kenh Dong Water and Saigon Water Infrastructure Corporation, contributed a total of ₱357 million in earnings. Manila Water's new businesses accounted for 11 percent of its net income in 2014.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures amounted to P13.2 billion in 2014, reflecting a 31% increase mainly driven by higher earnings from Globe which counterbalanced the relatively flat contribution from BPI. The increase in AC's ownership interest in BPI in November 2013 was offset by the impact of the decline in its net income year-on-year.

Telecommunications

Globe Telecom posted another record net income, which more than doubled to P13.4 billion year-on-year buoyed by lower accelerated depreciation charges from its network transformation. The robust revenue growth from sustained demand for data connectivity across the mobile, broadband and fixed line businesses also drove year-on-year increase. The solid revenue growth, which balanced out the subsidy and operating expenses, drove the 8 percent increase in Globe's earnings before interest taxes depreciation and amortization (EBITDA) to P39.3 billion.

Mobile revenues, which account for 79 percent of consolidated revenues, grew 7 percent to P78.1 billion, propelled by growth in the postpaid and mass market TM brands. Globe's postpaid revenues continued to improve at P29.9 billion, up 11 percent from the previous year. Despite yield pressures on multi-SIM incidence and value-based bucket offers, its prepaid revenues improved 5 percent to P48.2 billion. Total mobile subscriber base stood at 44 million in 2014, a 14 percent growth from its year-ago level.

Globe's broadband business registered a 22 percent growth to P12.7 billion as it continued to launch affordable products and competitive tablet bundles. Similarly, Globe's fixed line revenues reported improvement with data and voice segments reporting a 17 percent and 7 percent, respectively.

Financial Services

BPI reported a net income of P18 billion in 2014, a 4 percent decline from the previous year. This was largely due to a 5 percent decline in non-interest income as a result of a sharp contraction in trading gains compared to the previous year as the bank reduced its reliance on securities trading.

The bank's core lending business, however, continued to drive growth with net interest income growing 15 percent to P34.8 billion. Net loans expanded 27 percent to P800 billion year-on-year. Deposits jumped 19 percent from a year ago to P1.2 trillion. The bank registered a current and savings account ratio of 69 percent.

BPI's operating expenses rose 12 percent attributed to the bank's investment in infrastructure and technology as it positions itself for future growth. Cost-to-income ratio stood at 53.7 percent in 2014.

Interest Income

Interest income expanded 79% to P5.5 billion on the back of higher investible funds following the fund raising activities of the parent company and Ayala Land. This accounts for 3.5% of total income in 2014.

Other Income

Other income ended flat, down 1% to P9.2 billion mainly driven by the lower rehabilitation works of Manila Water. This was partially counterbalanced by the net gain of P1.8 billion from LiveIt's sale of Stream Global Services.

Costs and Expenses

Consolidated cost of sales rose 17% to P77.8 billion attributed to higher sales of Ayala Land, IMI and Ayala Automotive Holdings Corporation, accounting for 54% and 52% of total costs and expenses in 2014 and 2013, respectively. Cost of rendering services rose 10% to P34.5 billion resulting from higher revenues from IMI, Manila Water and Ayala Land.

General and administrative expenses increased by 8% to P15.8 billion. The increase was mainly on account of higher manpower expenses, taxes, and advertising costs related to Ayala Land, certain provisions at IMI, and start-up costs of AC Energy, AC Infra and Ayala Education.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 13.5% to P11.9 billion mainly due to higher borrowings in the latter part of 2013 to 2014. As of end-December 2014, total debt increased by 26% from year-end 2013 as a result of new borrowings at the parent level to fund its investments in various power and transport infrastructure projects and increased investment in BPI through subscription in the bank's stock rights offering. In addition, Ayala Land and Manila Water for new expansion projects and investments in operational improvements. Total debt as of end December 2014 stood at P259 billion. Notwithstanding the higher debt levels, gearing ratios remain comfortable and well within limits. Ayala Corp.'s consolidated debt to equity ratio was at 1.39 times while parent debt to equity ratio was at 0.54 to 1 with net debt to equity at 0.24 to 1.

Balance Sheet Highlights

Consolidated cash and cash equivalents expanded by 38% to P90.7 billion largely attributed to the proceeds from Ayala parent's offering of preferred shares, issuance of new common shares, loan availments and sale of exchangeable bonds. Ayala Land's higher sales and loan availments as well as IMI's higher collections and proceeds from its follow-on offering and sale of property also contributed to the increase.

Accounts and notes receivables (current) grew by 29% to P72.7 billion as a result of higher sales across all of Ayala Land's residential brands. Significant growth in revenues from IMI and Ayala Automotive also pushed up accounts receivables.

Total non-current assets rose by 22% to P471.3 billion from P384.8 billion at the beginning of the year. This was primarily due to the increased investment of Ayala Corp in BPI through the stock rights, investments in various power projects, Ayala Land's increased investment in land acquisitions as well as additional investments in real properties.

On the liabilities side, long-term debt (noncurrent) reached P227 billion, up 28% mainly due to new borrowings made through AYC Finance's issuance of exchangeable bonds to fund Ayala parent's investments in power and transport infrastructure as well as its acquisition of additional stake in BPI. In addition, Ayala Land's new loans to bankroll its expansion projects contributed to the increase.

Total stockholders' equity reached P286.9 billion, P51.4 billion higher than the start of the year primarily resulting from higher earnings during the period, the re-issuance of 27 million AC's Preferred B shares which generated P13.4 billion proceeds, and the top-up placement of AC's 18.8 million common shares which generated P12.2 billion proceeds, in 4Q 2014.

Consolidated current ratio and debt to equity ratio remained healthy at 1.50x and 1.39x, respectively as of the end of December 2014. Consolidated net debt to equity ratio was at 0.85X.

In 2015, the Ayala Group has earmarked P185 billion in combined capital expenditures to support the massive expansion plans of its real estate and telecom units.

Outlook for 2015

As the growth momentum in the Philippine economy continues, Ayala expects the performance of each of its business units to remain upbeat with mostly double-digit earnings growth in 2015. This should allow Ayala to achieve its original 2016 target of P20 billion a year earlier.

Key performance indicators of the Company and its significant subsidiaries

The table sets forth the comparative key performance indicators of the Company and its significant subsidiaries.

Ayala Corporation (Consolidated)

(In million pesos, except ratios)	<u>2014</u>	<u>2013</u>	<u>2012</u> <u>(As</u> <u>restated⁴)</u>
Income	184,276	159,412	130,571
Net Income Attributable to Equity Holders	18,609	12,778	10,504
Total Assets	726,048	599,664	510,904
Total Debt	258,845	205,681	175,085
Stockholders' Equity ¹	185,664	143,476	124,098
Current Ratio ²	1.50	1.46	1.46
Debt to Equity Ratio ³	1.39	1.43	1.41

Ayala Land, Inc.

(In million pesos, except ratios)	<u>2014</u>	<u>2013</u>	<u>2012 (As</u> <u>restated⁴)</u>
Revenue	95,197	81,523	59,932
Net Income Attributable to Equity Holders	14,803	11,742	9,038
Total Assets	388,944	325,474	254,550
Total Debt	124,666	101,902	74,778
Stockholders' Equity ¹	106,940	98,470	81,993
Current Ratio ²	1.22	1.45	1.41
Debt to Equity Ratio ³	1.17	1.03	0.91

Integrated Micro-Electronics, Inc.

(In thousand US dollars, except ratios)	<u>2014</u>	<u>2013</u>	<u>2012 (As</u> <u>restated⁴)</u>
Revenue	844,474	745,032	661,850
Net Income Attributable to Equity Holders	29,117	10,743	5,585
Total Assets	552,707	488,229	453,353
Total Debt	112,194	110,257	109,707
Stockholders' Equity ¹	244,051	192,650	193,817
Current Ratio ²	1.73	1.53	1.56
Debt to Equity Ratio ³	0.46	0.57	0.57

Manila Water Company, Inc.

(In million pesos, except ratios)	<u>2014</u>	<u>2013</u>	<u>2012 (As</u> <u>restated⁴)</u>
Revenue	16,357	15,926	14,553
Net Income Attributable to Equity Holders	5,813	5,752	5,490
Total Assets	74,860	72,858	67,127
Total Debt	25,471	26,252	24,071
Stockholders' Equity ¹	34,508	30,477	26,488

Current Ratio ²	1.16	1.12	0.83
Debt to Equity Ratio ³	0.74	0.86	0.91

¹ Stockholders' Equity attributable to owners of the Parent

² Current Asset/Current Liabilities

³ Total Debt/ Stockholders' Equity¹ (Total Debt includes short-term debt, long-term debt and current portion of long-term debt).

⁴ Restatement in Y2012 pertains to impact of the adoption of new accounting standards on employee benefits (PAS 19) and consolidation (PFRS 10).

There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

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

Likewise, there were no 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.

There are no seasonal aspects that may have a material effect on the financial condition of the Company.

Causes for any material changes (Increase or decrease of 5% or more in the financial statements)

Balance Sheet Items

As of December 31, 2014 vs. December 31, 2013

Cash and cash equivalents – 38% increase from ₱65,655 million to ₱90,770 million

Increase mainly attributable to proceeds from: AC parent's offer of preferred shares and top-up placement of common shares plus loan availments; AYC Finance's exchangeable bond offer; ALI's higher collections from sales and loan availments; IMI's higher collections and proceeds from its follow-on IPO and sale of property in Singapore; LiveIt's proceeds from divestment of Stream; and loan availments of AAHC. These were partially offset by the Group's loan payments, additional shares subscription in BPI, infusion in investment on power generation and transport infrastructure; and expansion in real estate projects. This account is at 13% and 11% of the total assets as of December 31, 2014 and 2013, respectively.

Short-term investments – 8 times higher from ₱119 million to ₱1,103 million

Primarily due to ALI's and MWCI's short-term investments for the period. This account is at less than 1% of the total assets as of December 31, 2014 and 2013.

Accounts and notes receivable (current) – 29% increase from ₱56,341 million to ₱72,710 million

Attributable to higher sales from across residential brands, new project launches and existing project sales of ALI group and significant growth of revenues from all sites of IMI group. This account is at 10% and 9% of the total assets as of December 31, 2014 and 2013, respectively.

Inventories – 10% increase from ₱50,178 million to ₱54,962 million

Due to increase in real estate and vehicle inventories of ALI and Automotive groups, respectively. This account is at 8% of the total assets as of December 31, 2014 and 2013.

Other current assets – 10% decrease from ₱39,194 million to ₱35,157 million

Decrease on account of ALI's maturities of investment in UITF placements partially offset by reduction in escrow/ deposit accounts. This account is at 5% and 7% of the total assets as of December 31, 2014 and 2013, respectively.

Noncurrent asset held for sale – 100% decrease from ₱3,329 million to zero balance

Due to the LiveIt's divestment of Stream in March 2014.

Accounts and notes receivable (noncurrent) – 75% increase from ₱18,283 million to ₱32,006 million

Mainly due to higher receivables by the ALI group. This account is at 4% and 3% of the total assets as of December 31, 2014 and 2013, respectively.

Land and improvements – 28% increase from ₱62,475 million to ₱79,960 million

Increase due to ALI group's unsubdivided land and certain land acquisitions. This account is at 11% and 10% of the total assets as of December 31, 2014 and 2013, respectively.

Investments in associates and joint ventures – 28% increase from ₱119,804 million to ₱152,765 million

Attributable to Group's shares subscription in BPI through stock rights offering, infusion in various investments in power and transport infrastructure and share in earnings offset by dividends from investees. This account is at 21% and 20% of the total assets as of December 31, 2014 and 2013, respectively.

Investment in bonds and other securities – 23% increase from ₱2,785 million to ₱3,432 million

Increase mainly attributable to ALI's and Bestfull's additional investments. This account is at less than 1% of the total assets as of December 31, 2014 and 2013.

Investment properties – 13% increase from ₱63,157 million to ₱71,324 million

Increase mainly attributable to ALI group's additional investment properties. This account is at 10% of the total assets as of December 31, 2014 and 2013.

Property, plant and equipment – 8% increase from ₱25,883 million to ₱27,953 million

Increase mainly attributable to ALI and AC Energy acquisitions made during the year. This account is at 4% of the total assets as of December 31, 2014 and 2013.

Deferred tax asset - 24% increase from ₱6,514 million to ₱8,055 million

Increase mainly attributable to ALI group's higher deferred tax asset due to tax effect of temporary difference from sale and collection of booked accounts. This account is at 1% of the total assets as of December 31, 2014 and 2013.

Pension and other noncurrent assets - 110% increase from ₱8,016 million to ₱16,830 million

Increase mainly attributable to ALI group's higher pre-operating expenses, deferred charges and down payments pertaining to new projects as well as to AYC's long-term placement. The account also includes the Group's pension asset.⁹ This account is at 3% and 1% of the total assets as of December 31, 2014 and 2013, respectively.

Accounts payable and accrued expenses - 22% increase from ₱103,604 million to ₱126,102 million

Increase mainly caused by higher trade payables and accruals of ALI group for its new and existing projects including reclassification of accounts from Other Current Liabilities; higher trade payables and accruals by IMI group pertaining to their expanded operations; offset by AC parent or Company's settlement of accounts relating to acquisition of additional ADHI shares and payment of dividends. This account is at 29% and 28% of the total liabilities as of December 31, 2014 and 2013, respectively.

Short-term debt – 33% increase from ₱15,811 million to ₱21,084 million

Mainly due to loan availments of the ALI and Automotive groups. This account is at 5% and 4% of the total liabilities as of December 31, 2014 and 2013, respectively.

Income tax payable – 20% decrease from ₱1,668 million to ₱1,340 million

Due to lower tax payable of ALI group. As a percentage to total liabilities, this account is at less than 1% as of December 31, 2014 and 2013.

⁹ The Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Company, governed by a board of trustees appointed under a Trust Agreement between the Company and the initial trustees. It holds common and preferred shares of the Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by a committee appointed by the fund's trustees for that purpose. The members of the committee, all of whom are Managing Directors of the Company, are Delfin C. Gonzalez, Jr. (the Company's Chief Finance Officer), Solomon M. Hermosura (the Company's Group Head of Corporate Governance, General Counsel, Corporate Secretary & Compliance Officer), John Philip S. Orbeta (the Company's Head for Strategic Human Resources), Ma. Cecilia T. Cruzabra (the Company's Treasurer), and Josephine G. de Asis (the Company's Comptroller). ACEWRF has not exercised voting rights over any shares of the Company that it owns.

Long-term debt (current) – 9% decrease from ₱11,842 million to ₱10,761 million

Mainly due to the Company's lower amount of long-term debt maturing within 1 year partially offset by ALI's availment of loans. This account is at 2% and 3% of the total liabilities as of December 31, 2014 and 2013, respectively.

Service concession obligation (current) – 21% decrease from ₱1,290 million to ₱1,020 million

Decrease was mainly due to lower computed and actual obligation due within one year. This account is at less than 1% of the total liabilities as of December 31, 2014 and 2013.

Other current liabilities – 14% decrease from ₱10,992 million to ₱9,452 million

Net decrease was due to reclassification of accounts to trade payables partially offset by increase in ALI group's payable to various contractors, deposits from residential assets and retention payable from projects. This account is at 2% and 3% of the total liabilities as of December 31, 2014 and 2013, respectively.

Long-term debt (noncurrent) – 28% increase from ₱178,027 million to ₱226,999 million

Due to new borrowings made by the Company, directly and through AYC Finance, to fund investments in power generation, transport infrastructure, BPI stock rights offer and refinance debt; exchangeable bonds issued by AYC Finance plus ALI group's new loans to fund expansion projects. This account is at 52% and 49% of the total liabilities as of December 31, 2014 and 2013, respectively.

Deferred tax liabilities – 6% increase from ₱6,347 million to ₱6,743 million

Increase attributable to ALI group's non-taxable income. This account stood at 2% of the total liabilities as of December 31, 2014 and 2013.

Pension liabilities – 14% increase from ₱1,915 million to ₱2,180 million

Increase attributable to the effect of PAS 19- immediate recognition of past service cost and re-measurement of unrealized actuarial gains or losses. This account is at less than 1% of the total liabilities as of December 31, 2014 and 2013.

Paid in capital - 47% increase ₱50,166 million to ₱73,571 million

Represents proceeds from the Company's re-issuance of treasury preferred shares amounting to P13.4B plus AC's top-up placement of common shares totaling P12.2B.

Cumulative translation adjustments - 52% decrease (improved) from negative ₱1,257 million to negative ₱604 million

Mainly due to higher foreign denominated net assets held by the international operations groups and depreciation of Peso from ₱44.395 in December 2013 to ₱44.720 in December 2014.

Share-based payments – 22% decrease from ₱485 million to ₱377 million

Decrease in share-based payments of the Company resulting to conversion to common shares.

Remeasurement losses (gains) on defined benefit plans – 24% decrease (improved) from negative ₱1,318 million to negative ₱1,006 million

Decrease attributable to the effect of PAS 19- immediate recognition of past service cost and re-measurement of unrealized actuarial gains or losses.

Net unrealized gain on available-for-sale financial assets – 103% decrease from ₱278 million to negative ₱7 million

Pertains to the movement in the market value of securities held by BPI group.

Equity-conversion option – 100% increase from zero to ₱1,114 million

₱1.1B arising from exchangeable bonds issued by AYC Finance.

Retained earnings – 15% increase from ₱92,640 million to ₱107,040 million

Represents share in FY 2014 group net income partially offset by ₱2.9B dividends declared.

Treasury stock - 54% decrease ₱5,000 million to ₱2,300 million

Attributable to the Company's re-issuance of treasury preferred shares.

Non-controlling interests – 10% increase from ₱91,994 million to ₱101,202 million

Share in FY 2014 group net income partially offset by dividends received.

Income Statement items

For the Year Ended December 31, 2014 vs. December 31, 2013

Sale of goods – 13% increase from ₱92,725 million to ₱105,141 million

Mainly on account of new projects and improved performance of ALI group from residential sales; higher revenues across all sites of IMI group plus incremental sales of Automotive group. As a percentage to total income, this account is at 57% and 58% in December 31, 2014 and 2013, respectively.

Rendering of services – 16% increase from ₱44,216 million to ₱51,276 million

Improved sales performance of ALI (malls, office leasing & hotel operations specifically full year impact of sales generated by its newly acquired subsidiaries), MWCI (increase in billed volume and additional connections) and IMI (growth of customer demand) groups. As a percentage to total income, this account is at 28% in December 31, 2014 and 2013.

Share of profit of associates and joint ventures – 31% increase from ₱10,091 million to ₱13,185 million

Increase significantly from the higher equity in net earnings of Globe and BPI. As a percentage to total income, this account is at 7% and 6% in December 31, 2014 and 2013, respectively.

Interest income – 79% increase from ₱3,072 million to ₱5,494 million

Mainly from to ALI's higher investible funds. This account is at 3% and 2% of the total income in December 31, 2014 and 2013, respectively.

Other income – 1% decrease from ₱9,307 million to ₱9,180 million

Decrease was a result of the lower rehabilitation works of MWCI group partially offset by LiveIt's P1.8B gain from divestment of Stream. This account is at 5% and 6% of the total income in December 31, 2014 and 2013, respectively.

Cost of sales – 17% increase from ₱66,540 million to ₱77,774 million

Increase attributable to higher sales of ALI, IMI and Automotive groups. As a percentage to total costs and expenses, this account is at 54% and 52% in December 31, 2014 and 2013, respectively.

Cost of rendering services – 10% increase from ₱31,487 million to ₱34,496 million

Increase coming from higher revenues from IMI, MWCI and ALI groups. As a percentage to total costs and expenses, this account is at 24% in December 31, 2014 and 2013, respectively.

General and administrative expenses – 8% increase from ₱14,614 million to ₱15,830 million

Increase mainly on account of higher manpower expenses, taxes, advertising costs related to ALI; inventory provisions taken up by IMI; and start-up costs of ACEnergy, ACInfra and Ayala Education. This expense classification accounts for 11% of the total costs and expenses in December 31, 2014 and 2013.

Interest and other financing charges – 14% increase from ₱10,511 million to ₱11,934 million

Increase was due to higher loan balance as a result of fundraising activities in late 2013 and new borrowings in 2014 of the Company (for initiatives for new growth areas like power generation and transport infrastructure sectors), international and ALI group (for landbanking and expansion of various existing mixed use projects). This expense classification accounts for 8% of the total costs and expenses in December 31, 2014 and 2013.

Other charges – 30% decrease from ₱5,481 million to ₱3,829 million

Decrease coming from lower rehabilitation works of MWCI group due to limited capital expenditure caused by ongoing arbitration; offset by impairment provisions on goodwill taken up by IMI. This expense classification accounts for 3% and 4% of the total costs and expenses in December 31, 2014 and 2013, respectively.

Provision for income tax (current and deferred) – 22% increase from ₱6,654 million to ₱8,138 million

Primarily due to higher taxable income of the several subsidiaries significant part of which comes from ALI, Automotive and IMI groups on account of better sales and other operating results.

Income attributable to Owners of the parent – 46% increase from P12,778 million to P18,609 million
Resulting from better operating results of most of the subsidiaries and associates of the Group.

Income attributable to Non-controlling interests – 20% increase from P11,347 million to P13,665 million
Better operating results of most of the subsidiaries of the Group.

2013

Ayala Corporation's consolidated net income attributable to equity holders for the year ended December 31, 2013 amounted to P12.8 billion, 22% higher than 2012. Core net income reached P14.8 billion, 28% higher than prior year. This excludes the impact of the accelerated depreciation of Globe Telecom as a result of its network modernization program.

Consolidated Sale of Goods and Services

Ayala's consolidated sale of goods and services for the year reached P136.9 billion, a 24% increase from 2012 primarily driven by new projects and improved sales performance of real estate, electronics, automotive and water utilities groups. This accounts for 86% of total income in 2013.

Real Estate

Ayala Land, Inc.'s (ALI) net income rose by 30 percent to a record P11.7 billion on the back of double-digit revenue growth and stable margins across its business segments. ALI recorded P81.5 billion in total revenues, a 36-percent jump from its year-ago level as its property development, commercial leasing and construction businesses continued to post gains.

Revenues from property development expanded by 51 percent to P52 billion driven by strong gains from its residential segment as well as the sale of commercial lots in NUVALI and Arca South, which is the Food Terminal Inc. property ALI acquired in 2012. Revenues from commercial leasing grew 21 percent to P18 billion on a combination of higher average lease rates and occupied gross leasable area in shopping centers and offices coupled with the opening of new malls. This was boosted by higher revenues from hotels and resorts, which rose 64 percent to P4 billion, as new hotels and resorts begin to contribute. Revenues from construction and property management generated combined revenues of P26.3 billion, 29 percent higher than the previous year.

ALI spent P66 billion in capital expenditures in 2013, the bulk of which was used to fund projects in residential development and land acquisition. ALI has earmarked P70 billion in capital expenditures for 2014 as it continues to pursue its growth initiatives.

Water and Wastewater Services

Manila Water Company's (MWC) net income expanded by 5 percent in 2013 to P5.8 billion, driven by higher billed volume in the East Zone and increased contribution from new businesses. New businesses, which include operations in Laguna, Boracay, Clark and Vietnam, accounted for 10 percent of MWC's earnings in 2013. Additional income from the liquidation of connection fees in the East Zone was also recognized, boosting net income.

Total revenues grew by 6 percent to P15.3 billion with total billed volume up 5 percent versus prior year. Revenues from its Vietnam operations, which consist of a leakage reduction project and two bulk water companies, Thu Duc Water B.O.O. Corporation and Kenh Dong Water Supply Joint Stock Company, grew by 42 percent from the previous year to P294 million.

MWC recently took over as exclusive water provider within the Laguna Technopark through its subsidiary, Laguna Water Company. It is also constructing a bulk water project in Cebu, which is expected to start operations in June.

Electronics

Ayala's electronics business, Integrated Microelectronics, Inc. (IMI), nearly doubled its net income in 2013 to US\$10.5 million due mainly to business expansion in Europe and the Philippines. Despite a contraction in the electronics sector, IMI continued to register higher revenues in 2013, reaching US\$745 million, a 12.6 percent growth from a year ago. This resilient performance was primarily driven by IMI's diversification strategy. This includes the company's move to higher-growth, higher margin niche markets in automotive, industrial, medical, and telecommunications segments.

Automotive

Consolidated sales of Ayala Automotive Holdings Corporation grew by 7% to P10.7 billion. Vehicle unit sales grew by 9% from 9,259 to 10,111. Consolidated net income, which includes its equity share and dividend income from Honda Cars Philippines, Inc. and Isuzu Philippines Corporation, was 81% lower than the previous year mainly on start-up costs of Volkswagen operations.

In 2012, Volkswagen AG appointed Ayala Automotive as the Philippine importer for Volkswagen passenger vehicles. This partnership will enhance Ayala Automotive's existing portfolio of product offerings along with the Honda and Isuzu brands.

Equity in Net Earnings of Associates and Jointly Controlled Entities

Share of earnings from associates and jointly controlled entities increased by 31% to P10.1 billion. The increase was primarily driven by higher equity earnings from the Bank of the Philippine Islands, partly offset by lower net income registered by Globe Telecom.

Financial Services

BPI registered a 15-percent year-on-year growth in net income to P18.8 billion, primarily driven by higher interest income on the back of a 21-percent growth in the bank's loan portfolio. Higher fee-based income and foreign exchange trading likewise contributed to the bank's earnings in 2013. This translated to a return on equity of 18 percent.

The double-digit loan growth was driven by higher corporate and consumer loans, which grew by 23 percent and 13 percent, respectively. While the net interest income expanded as a result of an 18-percent growth in the bank's average asset base, net interest margin slightly contracted by 26 basis points to 3.3 percent owing to the competitive lending environment. BPI's asset quality further improved with 90-day gross non-performing loan ratio closing at 1.8 percent from the 2.1 percent registered a year ago.

BPI's total assets at the end of 2013 expanded 21 percent to P1.2 trillion. Deposits jumped 23 percent to P989 billion as a result of higher savings and demand deposits. The bank's operating expenses rose 7 percent, with increases largely attributed to regulatory, technology and occupancy-related costs. Despite this, BPI managed to post modest gains in its cost-to-income ratio to 51 percent from 52 percent the previous year.

Telecommunications

Globe Telecom sustained its growth momentum with core net income of P11.6 billion, a 13-percent increase year-on-year. This was driven by consolidated service revenues of P90.5 billion, up 9 percent from last year, led by the continued growth in mobile telephony and the demand for data connectivity across its mobile, broadband and fixed line businesses.

Mobile revenues, which account for 80 percent of total revenues, rose 8 percent to P72.8 billion on the back of sustained growth in postpaid revenues, which expanded by 18 percent to P27.1 billion. Prepaid revenues inched up 3 percent to P45.7 billion despite yield pressures from the shift to value-based from pay-per-use bucket. Globe's mobile subscribers climbed 16 percent to 38.5 million in 2013. Its broadband business registered a sharp gain in both revenues and customer base, climbing 20 percent and 22 percent, respectively year-on-year. Fixed line data expanded by 13 percent to P4.7 billion, mitigating the decline in traditional fixed line voice services.

Globe's operating expenses rose 13 percent to P54.0 billion, largely due to subsidy and recontracting costs. Globe's reported net income declined 28 percent in 2013 owing to accelerated depreciation charges arising from its network transformation initiative.

Interest Income

Interest income declined 29% to P3.1 billion owing to lower placements and interest rates of the real estate group and Ayala parent in 2013. This accounts for 2% of the total income in 2013.

Costs and Expenses

Consolidated cost of goods grew 20% to P66.5 billion while cost of rendering services expanded 37% to P31.5 billion. The increase was driven by higher sales of the real estate, electronics, automotive, water utilities and business process outsourcing (BPO) groups. The cost of goods accounts for 52%, while the cost of rendering services makes up for 24% of total costs and expenses in 2013.

Consolidated general and administrative expenses expanded 13% to P14.6 billion on the back of higher operating expenses of the real estate group coming from newly consolidated subsidiaries. General and administrative expenses accounts for 11% of total costs and expenses in 2013.

Interest Expense and Other Financing Charges

Consolidated interest expenses and other financing charges rose 29% to P10.5 billion as a result of higher loan balance from fundraising activities in late 2012. These include borrowings at the Ayala parent level that were used to fund new initiatives in the power and transport infrastructure sectors. Similarly, ALI secured new loans in 2013 to fund its landbanking and expansion of various mixed use developments. This year's consolidated interest expenses and financing charges account for 8% of the total cost and expenses for the year.

Balance Sheet Highlights

Consolidated cash and short term investments declined by 18% to P65.7 billion as of the end of 2013 compared to P80.3 billion in 2012. Decline was due mainly to placements of funds from short term cash equivalents to other form of financial instruments, and use of funds for operations and loan payments.

Accounts receivable rose by 32% to P56.3 billion on the back of higher sales from residential brands, new project launches and existing project sales of the real estate group. The significant growth in revenues of the electronics group particularly in Europe and the Philippines coupled with higher receivables of the BPO group also contributed to the increase. This account makes up for 9% of total assets in 2013.

Noncurrent asset held for sale represents the carrying value of our investment that will be disposed within Y2014.

Overall, total current assets increased by 18% to P211.5 billion.

Total noncurrent assets rose to P384.8 billion from P331.9 billion in 2012. This was primarily due to an increase in investments in our banking sector coupled with higher earnings from investee companies, additional investments in real properties, land and improvements and higher receivables by ALI arising from ramp up on revenues.

On the liabilities side, total current and noncurrent liabilities reached P364.2 billion, 20% higher than its level in 2012.

Total consolidated stockholders' equity reached P235.5 billion, 14% higher than in 2012 mainly as a result of additional paid up capital from re-issuance of treasury shares and higher earnings during the period, net of dividends.

On a consolidated basis, gearing remained comfortable with consolidated debt to equity ratio at 1.43 to 1 and consolidated net debt to equity ratio at 0.98 to 1. Gearing at the parent company level also remained comfortable with debt to equity ratio at 0.49 to 1 and net debt to equity ratio at 0.32 to 1.

In 2014, the Ayala Group earmarked nearly P190 billion in capital expenditures to continue its investment programs in its real estate, banking, telecommunications, and water businesses as well as to ramp up its new businesses.

Key performance indicators of the Company and its significant subsidiaries

The table sets forth the comparative key performance indicators of the Company and its significant subsidiaries.

Ayala Corporation (Consolidated)

	<u>2013</u>	<u>2012</u> <u>(As</u> <u>restated⁴)</u>	<u>2011 (As</u> <u>restated⁴)</u>
(In million pesos, except ratios)			
Income	159,412	130,571	110,828
Net Income Attributable to Equity Holders	12,778	10,504	9,183
Total Assets	599,664	510,904	369,039
Total Debt	205,681	175,085	111,268
Stockholders' Equity ¹	143,476	124,098	106,353
Current Ratio ²	1.46	1.46	1.76
Debt to Equity Ratio ³	1.43	1.41	1.05

Ayala Land, Inc.

	<u>2013</u>	<u>2012 (As</u> <u>restated⁴)</u>	<u>2011 (As</u> <u>restated⁴)</u>
(In million pesos, except ratios)			
Revenue	81,523	59,932	47,668
Net Income Attributable to Equity Holders	11,742	9,038	7,140
Total Assets	325,474	254,550	166,399
Total Debt	101,902	74,778	39,041
Stockholders' Equity ¹	98,470	81,993	62,184
Current Ratio ²	1.45	1.41	1.64
Debt to Equity Ratio ³	1.03	0.91	0.63

Integrated Micro-Electronics, Inc.

	<u>2013</u>	<u>2012 (As</u> <u>restated⁴)</u>	<u>2011 (As</u> <u>restated⁴)</u>
(In thousand US dollars, except ratios)			
Revenue	745,032	661,850	575,454
Net Income Attributable to Equity Holders	10,743	5,585	3,255
Total Assets	488,229	453,353	441,885
Total Debt	110,257	109,707	99,407
Stockholders' Equity ¹	192,650	193,817	185,421
Current Ratio ²	1.53	1.56	1.51
Debt to Equity Ratio ³	0.57	0.57	0.54

Manila Water Company, Inc.

	<u>2013</u>	<u>2012 (As</u> <u>restated⁴)</u>	<u>2011 (As</u> <u>restated⁴)</u>
(In million pesos, except ratios)			
Revenue	15,926	14,553	12,004
Net Income Attributable to Equity Holders	5,752	5,490	4,270
Total Assets	72,858	67,127	60,897
Total Debt	26,252	24,071	23,268
Stockholders' Equity ¹	30,477	26,488	22,538
Current Ratio ²	1.12	0.83	1.24
Debt to Equity Ratio ³	0.86	0.91	1.03

¹ Stockholders' Equity attributable to owners of the Parent

² Current Asset/Current Liabilities

³ Total Debt/ Stockholders' Equity¹ (Total Debt includes short-term debt, long-term debt and current portion of long-term debt).

⁴ Restatement in Y2012 and Y2011 pertains to impact of the adoption of new accounting standards on employee benefits (PAS 19) and consolidation (PFRS 10).

There are no known trends, events or uncertainties that will result in the Company's liquidity increasing or decreasing in a material way.

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

Likewise, there were no 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.

There are no seasonal aspects that may have a material effect on the financial condition of the Company.

**Causes for any material changes
(Increase or decrease of 5% or more in the financial statements)**

A. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2013. The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include:

- a. PFRS 10 Consolidated Financial Statements*
- b. PAS 19 Employee Benefits (Revised 2011)

*Accounting for ALI group's interests in North Triangle Depot Commercial Corporation (NTDCC), Cebu Holdings, Inc. (CHI), Alabang Commercial Corporation (ACC), BG West Properties, Inc. (BGW), BG South Properties, Inc. (BGS), BG North Properties, Inc. (BGN). For all financial years up to December 31, 2012, NTDCC, CHI and ACC were considered to be associates under the previously existing PAS 28, Investments in Associates while BGW, BGS and BGN were considered to be jointly controlled entities under the previously existing PAS 31, Interests in Joint Ventures. These entities were accounted for using the equity method. At the date of initial application of PFRS 10, the ALI group assessed that it controls these companies based on the factors explained in Note 4 of the Group's Consolidated Financial Statements, Judgments and Estimates and consolidated the financial statements of NTDCC, CHI, ACC, BGW, BGS and BGN.

B. The consolidated financial statements show several significant increases in Balance Sheet accounts (vs. December 31, 2012 balances) and Income Statement accounts (vs. December 2012 levels) relating to the ALI group's acquisitions.

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

**Balance Sheet Items
(As of December 31, 2013 vs. Restated December 31, 2012)**

Cash and cash equivalents – 18% decrease from ₱80,286 million to ₱65,655 million

Decrease significantly attributable to: real estate group's placements of funds from short term cash equivalents to other form of financial instruments as well as their major landbanking, property acquisitions and new project launches partially offset by the fundraising activities through reissuance of shares, bonds offering and net new loans; payment of 2012/ new investments and loan payments partially offset by AC parent's issuance of treasury shares, bonds offering and new borrowing, plus net new borrowings of the water distribution and wastewater services group. This account is at 11% and 16% of the total assets as of December 31, 2013 and 2012, respectively.

Short-term investments – 60% decrease from ₱297 million to ₱119 million

Decrease due to maturities of short-term investments by AC parent and the real estate group. This account is at less than 1% of the total assets as of December 31, 2013 and 2012.

Accounts and notes receivable (current) – 32% increase from ₱42,550 million to ₱56,341 million

Mainly due to higher sales from across residential brands, new project launches and existing project sales of real estate group, significant growth of revenues from Philippines and Europe operations of the electronics group and higher receivables of BPO and international and others groups. This account is at 9% and 8% of the total assets as of December 31, 2013 and 2012, respectively.

Inventories – 51% increase from ₱33,269 million to ₱50,178 million

Increase primarily due to launching of new and completed projects of the real estate group (mostly on residential projects including those from VizMin areas) and increase in inventories of the electronics group (from Europe and China operations) and automotive group (stable supply of vehicles and introduction of a new automotive brand Volkswagen). This account is at 8% and 7% of the total assets as of December 31, 2013 and 2012, respectively.

Other current assets – 73% increase from ₱22,652 million to ₱39,194 million

Increase mainly due to additional real estate deposits and prepaid expenses for projects plus investment in short term fund/ UITF of the real estate group, increase in other current assets of the automotive and electronics groups (input tax and creditable withholding tax) and international operations group (higher valuation of investments). This account is at 7% and 4% of the total assets as of December 31, 2013 and 2012, respectively.

Noncurrent asset held for sale – 100% increase from zero to ₱3,329 million

Noncurrent asset held for sale represents the carrying value of our investment that will be disposed within Y2014.

Investments in bonds and other securities – 14% decrease from ₱3,244 million to ₱2,785 million

Mainly attributable to lower investments by AC parent, water and real estate groups. This account is at less than 1% of the total assets as of December 31, 2013 and 2012.

Land and improvements – 27% increase from ₱49,218 million to ₱62,475 million

Increase due to new landbanking projects and additional costs recognized for certain land acquisition of the real estate group. This account is at 10% of the total assets as of December 31, 2013 and 2012.

Investments in associates and joint ventures – 16% increase from ₱102,939 million to ₱119,804 million

Mainly attributable to additional investments made by AC parent to financial services and insurance group and to the additional investments made the Group's energy sector. Also attributed to the increase was the higher share of profit of associates and joint ventures by the real estate and water distribution and wastewater services groups partially offset by the reclassification of investment in Stream to Noncurrent asset held for sale. This account is at 20% of the total assets as of December 31, 2013 and 2012.

Investment properties – 20% increase from ₱52,449 million to ₱63,157 million

Increase due to the new acquisitions and developments of the real estate group major of which are those in Metro Manila, Cebu and Cavite. This account is at 10% of the total assets as of December 31, 2013 and 2012.

Property, plant and equipment – 13% increase from ₱23,002 million to ₱25,883 million

Increase mainly due to additions in PPE of the real estate group's hotels and resorts operations. This account is at 4% of the total assets as of December 31, 2013 and 2012.

Intangible assets – 4% decrease from ₱4,021 million to ₱4,176 million

Decrease mainly due to the consolidation of associates and joint ventures (effect of PFRS 10) by the real estate groups. This account is at less than 1% of the total assets as of December 31, 2013 and 2012.

Deferred tax asset - 43% increase from ₱4,547 million to ₱6,514 million

Increase mainly attributable to real estate group's increase in realized gross profit on installment sales brought by collections from previous years and PAS 19 adjustment on retirement benefit. This account is at 1% of the total assets as of December 31, 2013 and 2012.

Pension and other noncurrent assets - 146% increase from ₱3,254 million to ₱8,016 million

Increase mainly attributable to the pre-development expenses for projects in the pipeline and still to be launched by the real estate group. The account also includes the Group's pension asset.¹⁰ This account is at 1% of the total assets as of December 31, 2013 and 2012.

Accounts payable and accrued expenses - 26% increase from ₱81,901 million to ₱103,604 million

Increase mainly caused by higher trade payables and accruals of the real estate group for its expansion in its operations and AC parent's incremental payable related to its additional investment in BPI, purchased from DBS Bank, Ltd.. This account is at 28% and 27% of the total liabilities as of December 31, 2013 and 2012, respectively.

Short-term debt – 28% increase from ₱12,343 million to ₱15,811 million

Mainly due to the additional loans made by the real estate group. This account is at 4% of the total liabilities as of December 31, 2013 and 2012.

Income tax payable – 13% increase from ₱1,481 million to ₱1,668 million

Due to higher tax payable by the real estate and water distribution and wastewater services groups. As a percentage to total liabilities, this account is at less than 1% as of December 31, 2013 and 2012.

Long-term debt (current) – 38% decrease from ₱19,021 million to ₱11,842 million

Mainly due to the settlement of loans by AC parent, the real estate, and water distribution and wastewater services groups. This account is at 3% and 6% of the total liabilities as of December 31, 2013 and 2012, respectively.

Service concession obligation (current) – 54% increase from ₱841 million to ₱1,290 million

Increase was mainly due to the water distribution and wastewater services group's higher service concession obligation due within one year. This account is at less than 1% of the total liabilities as of December 31, 2013 and 2012.

Other current liabilities – 58% increase from ₱6,970 million to ₱10,992 million

Increase pertains mainly to the real estate group's payable to various contractors, deposits from residential assets and higher retention payable from projects. This account is at 3% and 2% of the total liabilities as of December 31, 2013 and 2012, respectively.

Long-term debt (noncurrent) – 24% increase from ₱143,720 million to ₱178,027 million

Mainly due to net increase in loan amount of AC parent and the real estate (bond offerings and new loans), water distribution and wastewater services, and international business groups. This account is at 49% and 47% of the total liabilities as of December 31, 2013 and 2012, respectively.

Service concession obligation (noncurrent) – 7% increase from ₱7,372 million to ₱7,868 million

Increase was mainly due to the water distribution and wastewater services group's higher service concession obligation. This account is at 2% of the total liabilities as of December 31, 2013 and 2012.

Pension liabilities – 21% increase from ₱1,583 million to ₱1,915 million

Increase attributable to the effect of PAS 19- immediate recognition of past service cost and re-measurement of unrealized actuarial gains or losses. This account stood at less than 1% of the total liabilities as of December 31, 2013 and 2012.

Other noncurrent liabilities – 8% increase from ₱22,975 million to ₱24,828 million

Increase mainly attributable to higher deposit from residential customers and increase in retention payable of the real estate group. This account is at 7% and 8% of the total liabilities as of December 31, 2013 and 2012, respectively.

¹⁰ The Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Company, governed by a board of trustees appointed under a Trust Agreement between the Company and the initial trustees. It holds common and preferred shares of the Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by certain persons that are beneficiaries of the fund, appointed by the fund's trustees for that purpose. These persons have the ability to exercise voting rights over the shares in its holdings. These persons are Delfin C. Gonzalez, Jr. (who is the Company's Managing Director & Chief Finance Officer) and Solomon M. Hermosura (who is the Company's Managing Director, Group Head of Corporate Governance, General Counsel, Corporate Secretary & Compliance Officer). ACEWRF has not exercised voting rights over any shares of the Company that it owns.

Paid-in capital - 11% increase from ₱45,120 million to ₱50,166 million

Mainly due to reissuances of treasury shares Preferred B and common shares by AC parent during the year.

Cumulative translation adjustments - 61% increase (improved) from negative ₱3,238 million to negative ₱1,257 million

Mainly due to higher foreign exchange translation of foreign denominated net assets held by the international operations group (due to depreciation of Peso from ₱41.05 in December 31, 2012 to ₱44.395 in December 31, 2013).

Net unrealized gain on available-for-sale financial assets (including remeasurement gains/losses on defined benefit plans) – 222% decrease from ₱856 million to negative ₱1,040 million

Mainly due to movement in the market value of securities held by the financial services and insurance group and impact of PAS 19 on other comprehensive income component of retirement funds' investments.

Equity reserve – 39% increase from ₱5,379 million to ₱7,482 million

In March 2013 and July 2012, the Company participated in the placement and subscription of 399.5 million and 680.0 million common shares of stock in ALI, respectively, whereby the Company sold its listed ALI common shares through a private placement and infused the proceeds into ALI as subscription for the same number of new ALI shares at the same price. Following these transactions, the Company's ownership interest in ALI's common stock was reduced from 53.2% to 50.4% as of July 2012 and further reduced to 48.9% as of March 2013. The Company will maintain the same number of common shares it held in ALI prior to the transaction. The transaction increased the equity reserve account by ₱3.4 billion and ₱5.3 billion in 2013 and 2012, respectively. The balance was partially offset by the equity reserve on the acquisition of additional shares of the water distribution and wastewater services group by AC parent.

Retained earnings – 11% increase from ₱83,268 million to ₱92,640 million

Mainly due to share in group net income offset by dividends paid during the year.

Treasury stock – 33% decrease from ₱7,497 million to ₱5,000 million

Mainly due to AC parent's sale/reissuance of common and Preferred B treasury shares

Non-controlling interest (NCI) – 12% increase from ₱82,343 million to ₱91,994 million

Mainly due to AC parent's top-up placement and subsequent sale of ALI shares which increased NCI plus increments due to share in year-to-date net income.

Income Statement items

(For the Year Ended December 31, 2013 vs. Restated December 31, 2012)

Sale of goods – 34% increase from ₱69,335 million to ₱92,725 million

Mainly on account of new projects and improved sales performance of real estate, electronics (mainly from Europe operations and new projects in the Philippines) and automotive group (improved and stable supply of vehicles). As a percentage to total income, this account is at 58% and 53% in December 31, 2013 and 2012, respectively.

Rendering of services – 9% increase from ₱40,554 million to ₱44,216 million

Improved sales performance of real estate (malls, office leasing & hotel operations specifically sales generated by its newly acquired subsidiary), water distribution and wastewater services (increase in volume) and international operations (new interactive clients) groups. As a percentage to total income, this account is at 28% and 31% in December 31, 2013 and 2012, respectively.

Share of profit of associates and joint ventures – 31% increase from ₱7,682 million to ₱10,091 million

Increase mainly due to earnings of financial services and insurance partly offset by lower income registered by investees in telecommunications group. As a percentage to total income, this account is at 6% in December 31, 2013 and 2012.

Interest income – 29% decrease from ₱4,353 million to ₱3,072 million

Mainly due to lower placements and interest rates of real estate group and AC parent in 2013. This account is at 2% and 4% of the total income in December 31, 2013 and 2012, respectively.

Other income – 7% increase from ₱8,645 million to ₱9,307 million

Mainly due to forex gain and derivative asset gain of electronics, BPO and international operations groups. This account is at 6% of the total income in December 31, 2013 and 2012.

Cost of sales – 20% increase from ₱55,285 million to ₱66,540million

Increase attributable to higher sales of the real estate, electronics, automotive and international operations groups. As a percentage to total costs and expenses, this account is at 52% in December 31, 2013 and 2012.

Cost of rendering services – 37% increase from ₱22,990 million to ₱31,487 million

Increase mainly due to higher sales of rendering services by the real estate, electronics, water distribution and wastewater services and BPO groups. As a percentage to total costs and expenses, this account is at 24% and 22% in December 31, 2013 and 2012, respectively.

General and administrative expenses – 14% increase from ₱12,852 million to ₱14,614 million

Increase mainly on account of higher expenses of real estate group [line by line consolidation of AMHRI/AMHPI (Kingdom Investments: Fairmont and Raffles) after step-up acquisition in Q4 2012]. This expense classification accounts for 11% and 12% of the total costs and expenses in December 31, 2013 and 2012, respectively.

Interest and other financing charges – 29% increase from ₱8,155 million to ₱10,511 million

Increase mainly due to higher loan balance as a result of fundraising activities in late 2012 and new borrowings in 2013 of AC parent (for initiatives for new growth areas like Energy and Transport Infrastructure sectors) and real estate group (for landbanking and expansion of various mixed use projects). This expense classification accounts for 8% of the total costs and expenses in December 31, 2013 and 2012.

Other charges – 20% decrease from ₱6,812 million to ₱5,481 million

Decrease mainly due lower rehabilitation costs of the water distribution and wastewater services group. This expense classification accounts for 4% and 6% of the total costs and expenses in December 31, 2013 and 2012, respectively.

Provision for income tax – 34% increase from ₱4,976 million to ₱6,654 million

Primarily due to higher taxable income of the several subsidiaries significant part of which comes from real estate and water distribution and wastewater services groups on account of better sales and other operating results.

Non-controlling interests – 26% increase from ₱8,995 million to ₱11,347 million

Attributable to the favorable performance of the real estate, water distribution and wastewater services, electronics and international operations groups in 2013.

NATURE AND SCOPE OF BUSINESS

Ayala Corporation was incorporated in the Republic of the Philippines on January 23, 1968. The Company's registered office address and principal place of business is 32nd to 35th Floors, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. The Company is a publicly listed company which is 49.01% owned by Mermac, Inc., 10.18% owned by Mitsubishi Corporation and the rest by the public.

The Company is the holding company of the Ayala Group of Companies (the Group), with principal business interests in real estate and hotels, financial services and insurance, telecommunications, water distribution and used water services, electronics manufacturing, information technology, business process outsourcing (BPO) services, automotive, transport infrastructure, power generation, education, healthcare, international and others.

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

A) Principal market where the registrant's common equity is traded.

The following table shows the high and low prices (in PHP) of Ayala Corporation's shares in the Philippine Stock Exchange for the year 2015 and 2014:

	<u>2015</u>		<u>2014</u>	
	<u>High</u>	<u>Low</u>	<u>High</u>	<u>Low</u>
1 st qtr	795.00	694.50	582.50	510.00
2 nd qtr	821.00	742.00	658.50	590.00
3 rd qtr	795.00	704.50	740.00	643.00
4 th qtr	789.50	725.00	694.00	652.00

Source: Bloomberg

The market capitalization of the Company's common shares as of end-2015, based on the closing price of P756.00/share, was approximately P468.43 billion.

The price information of Ayala common, preferred B series 1 and preferred B series 2 shares as of the close of the latest practicable trading date, March 14, 2016 is P759.50, P520.00, and P530.00, respectively.

B) Holders

The following are the top 20 registered holders of the Company's securities based on the records of our stock transfer agents:

Common Shares

There are 6,775 registered holders of common shares as of January 31, 2016.

	Stockholder name	No. of common shares	Percentage of common shares
1.	Mermac, Inc.	303,689,196	49.0126%
2.	PCD Nominee Corporation (Non-Filipino)	161,310,304	26.0340%
3.	PCD Nominee Corporation (Filipino)	69,044,736	11.1432%
4.	Mitsubishi Corporation	63,077,540	10.1801%
5.	Shoemart, Inc.	7,529,203	1.2151%
6.	Sysmart Corporation	1,500,912	0.2422%
7.	SM Investment Corporation	1,418,610	0.2290%
8.	Philippine Remnants Co., Inc.	823,046	0.1328%
9.	ESOWN Administrator 2014	602,752	0.0973%
10.	ESOWN Administrator 2009	571,778	0.0923%
11.	ESOWN Administrator 2012	506,553	0.0818%
12.	ESOWN Administrator 2008	416,079	0.0672%
13.	Mitsubishi Logistics Corporation	360,512	0.0582%
14.	ESOWN Administrator 2006	333,171	0.0538%
15.	ESOWN Administrator 2007	265,610	0.0429%
16.	ESOWN Administrator 2005	192,871	0.0311%
17.	Telengtan Brothers & Sons, Inc.	136,857	0.0221%
18.	Lucio Yan	127,996	0.0207%
19.	Xavier P. Loinaz	126,052	0.0203%
20.	Era Management & Development Corp.	106,118	0.0171%

Preferred B Series 1 Shares

There are 16 registered holders of preferred B series 1 shares as of January 31, 2016.

	Stockholder name	No. of preferred B series 1 shares	Percentage of preferred B series 1 shares
1.	PCD Nominee Corp – Filipino	19,866,730	99.3337%
2.	PCD Nominee Corp – Non Filipino	59,410	0.2971%
3.	Sytin, Dominic, L. &/or Sytin, Ann Marietta L.	19,320	0.0966%
4.	One Point Contact, Inc.	10,000	0.0500%
5.	Mariano Vicente Lim Tan or Katherine Tan or Elena Lim Tan	8,000	0.0400%
6.	Santos, Leonel A. and/or Santos, Alicia	7,000	0.0350%
7.	Tan, Ben Cuevo and/or Tan, Imelda Toralba	6,000	0.0300%
8.	Chan, Raymond O. or Chan Lynette	5,000	0.0250%
9.	Chavez, Felix B. or Aida T. Chavez or Irene T. Chavez	5,000	0.0250%
10.	Philippine British Assurance Company, Inc.	4,000	0.0200%
11.	Henry Dy Tan and or Sherly G. Tan	3,400	0.0170%
12.	Uy, Miguel F.	2,000	0.0100%
13.	Macabuhay, Melchor T.	1,540	0.0077%
14.	Bautista, Feliciano M. and or Bautista, Elisa D.	1,000	0.0050%
15.	Ching Bun Teng	1,000	0.0050%
16.	Lim, Iris Veronica Go	600	0.0030%

Preferred B Series 2 Shares

There are nine registered holders of preferred B series 2 shares as of January 31, 2016.

	Stockholder name	No. of preferred B series 2 shares	Percentage of preferred B series 2 shares
1.	PCD Nominee Corp – Filipino	26,896,640	99.6172%
2.	PCD Nominee Corp – Non Filipino	46,460	0.1721%
3.	First Life Financial Co., Inc.	40,000	0.1481%
4.	Jayme Alba or Elizabeth Alba	7,520	0.0279%
5.	R M Tiongco Holdings, Inc.	5,000	0.0185%
6.	Teh, Alfonso S.	2,000	0.0074%
7.	Luna, Reynaldo H.	1,000	0.0037%
8.	Leoncio, Hipolito A.	1,000	0.0037%
9.	Croma Incorporated	380	0.0014%

Voting Preferred Shares

There are 1,010 registered holders of voting preferred shares as of January 31, 2016.

	Stockholder name	No. of voting preferred shares	Percentage of voting preferred shares
1.	Mermac, Inc.	159,577,460	79.7887%
2.	Mitsubishi Corporation	32,640,492	16.3203%
3.	Deutsche Bank AG Manila OBO UBS HK A/C 12105904001	1,561,478	0.7807%
4.	Fernando Zobel de Ayala	554,983	0.2775%
5.	Jaime Augusto Zobel de Ayala	543,802	0.2719%
6.	CBNA MLA OBO AC 6002079755	364,810	0.1824%
7.	Delfin L. Lazaro	258,297	0.1291%

8.	Britel Fund Trustees Limited	170,064	0.0850%
9.	HSBC Manila OBO A/C 000-808154-573	169,803	0.0849%
10.	Deutsche Regis Partners, Inc. A/C Clients	137,372	0.0687%
11.	AB Capital Securities Inc.	115,873	0.0579%
12.	BDO Securities Corporation	115,794	0.0579%
13.	Deutsche Bank AG, Manila Branch	111,385	0.0557%
14.	Hermes Investment Funds PLC	106,486	0.0532%
15.	Mercedita S. Nollado	84,996	0.0425%
16.	Ariston Dela Rosa Estrada, Jr.	84,396	0.0422%
17.	Asiasec Equities Inc.	78,007	0.0390%
18.	HSBC Manila OBO A/C 000-083766-550	73,272	0.0366%
19.	HSBC Manila OBO A/C 000-171579-567	72,884	0.0364%
20.	Papa Securities Corporation	69,646	0.0348%

C) Dividends

Stock Dividends		
Percent	Record Date	Payment Date
20%	May 22, 2007	June 18, 2007
20%	April 24, 2008	May 21, 2008
20%	July 5, 2011	July 29, 2011

Cash Dividends On Common Shares			
Year	Payment Date	Rate	Record Date
2013	August 12, 2013	2.40/share	July 17, 2013
	January 3, 2014	2.40/share	December 19, 2013
2014	July 25, 2014	2.40/share	July 10, 2014
	January 3, 2015	2.40/share	December 18, 2014
2015	July 24, 2015	2.88/share	July 9, 2015
	January 2, 2016	2.88/share	December 17, 2015

Dividend policy

As a holding company, Ayala's policy is to provide a fixed-rate, semi-annual cash dividend of ₱2.88 per share on common shares. For voting preferred shares, the rate is 1.875% per annum. For non-voting Preferred B Series 1 and 2 shares, the dividends are given 5.25% and 5.575% per annum, respectively.

D) Recent sale of securities

The following shares were issued to/subscribed by the Company's executives as a result of the exercise of stock options (ESOP) and the subscription to the stock ownership (ESOWN) plans:

<u>Year</u>	<u>No. of shares</u>	
	<u>ESOP</u>	<u>ESOWN*</u>
2014	666,299	768,407
2015	282,913	-

**Net of cancelled subscriptions.*

The above shares formed part of the 8,864,000 ESOP and ESOWN shares subject of the Commission's resolution dated January 12, 2006 confirming the issuance of such shares as exempt transactions pursuant to Section 10.2 of the Securities Regulation Code.

On November 25, 2014, Mermac, Inc. executed the placement of, and subscription to the Company's 18,779,100 common shares at ₱660.00 per share or an aggregate of \$275 million or ₱12.4 billion. The placement price of ₱660.00 per share was at a 5.2% discount on the 30-day volume weighted average price

of the Company's common stock.

The Company filed Notices of Exemption with the SEC for the above sale of treasury shares and additional issuance common shares under the following provisions of the SRC:

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

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

SRC Section 10.1 (l), The sale of securities to a bank.

E) Corporate Governance

- i. The evaluation system which was established to measure or determine the level of compliance of the Board of Directors and top level management with its Revised Manual of Corporate Governance consists of a Board Performance Assessment which is accomplished by the Board of Directors indicating the compliance ratings. The above is submitted to the Compliance Officer who issues the required Annual Corporate Governance Report to the Securities and Exchange Commission.
- ii. To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.
- iii. There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Revised Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.
- iv. The Company is taking further steps to enhance adherence to principles and practices of good corporate governance. In line with this, the Board also adopted the Charter of the Board of Directors on June 26, 2014.

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

**Ayala Corporation
32F to 35F, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City**

**Attention: Mr. Jose Teodoro K. Limcaoco
Chief Finance Officer**

**Ayala Corporation**

34F Tower One Ayala Triangle
Ayala Avenue Makati City 1226
Philippines

Tel (632) 908 3000

Fax (632) 848 5846

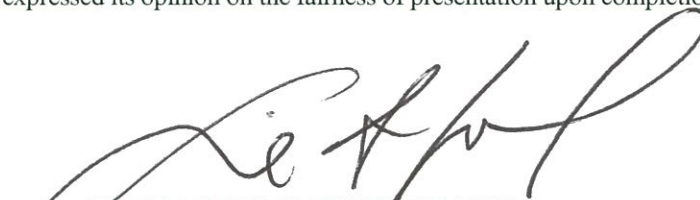
www.ayala.com.ph

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

The management of Ayala Corporation is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


JAIME AUGUSTO ZOBEL DE AYALA
Chairman, Board of Directors and Chief Executive Officer


FERNANDO ZOBEL DE AYALA
President & Chief Operating Officer


JOSE TEODORO K. LIMCAOCO
Chief Finance Officer 

SUBSCRIBED AND SWORN to before me this MAR 10 2016 at Makati City, affiants exhibiting to me their respective Passports, to wit:

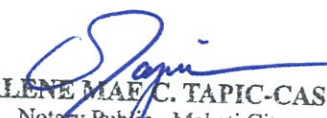
<u>Name</u>	<u>Passport No.</u>
Jaime Augusto Zobel de Ayala	EC4856934
Fernando Zobel de Ayala	EC6148225
Jose Teodoro K. Limcaoco	EC0985685

<u>Date & Place of Issue</u>
August 4, 2015 – Manila
December 8, 2015 – Manila
May 2, 2014 – Manila

Doc. No. 97 ;
Page No. 21 ;
Book No. V ;
Series of 2016.

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




CHARLENE MAE C. TAPIC-CASTRO
Notary Public - Makati City
Appt. No. 393 until December 31, 2016
Attorney's Roll No. 58720
PTR No. 5328830MD; 01-06-2016; Makati City
IBP Lifetime Roll No. 010104
MCLE Compliance No. V-0004684; 11-28-2014
3rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ayala Corporation

We have audited the accompanying consolidated financial statements of Ayala Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ayala Corporation and its subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

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

February 14, 2013, valid until April 30, 2016

Tax Identification No. 102-082-365

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

March 24, 2015, valid until March 23, 2018

PTR No. 5321616, January 4, 2016, Makati City

March 10, 2016



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 31, 32 and 33)	₱82,154,542	₱90,769,525
Short-term investments (Notes 6, 31, 32 and 33)	2,052,288	1,102,703
Accounts and notes receivable (Notes 7, 31, 32 and 33)	82,595,788	72,710,512
Inventories (Note 8)	68,430,908	54,962,164
Other current assets (Notes 9 and 32)	27,617,032	35,156,558
Total Current Assets	262,850,558	254,701,462
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7, 32 and 33)	41,793,499	32,006,450
Investments in bonds and other securities (Notes 10, 31, 32 and 33)	3,737,816	3,432,215
Land and improvements (Note 11)	92,894,879	79,959,887
Investments in associates and joint ventures (Note 12)	162,711,420	152,764,854
Investment properties (Note 13)	83,669,492	71,324,245
Property, plant and equipment (Note 14)	39,644,489	27,953,145
Service concession assets (Note 15)	78,828,840	74,836,633
Intangible assets (Note 16)	3,909,603	4,183,464
Deferred tax assets - net (Note 25)	9,742,797	8,055,020
Pension and other noncurrent assets (Note 17)	14,291,330	16,830,401
Total Noncurrent Assets	531,224,165	471,346,314
Total Assets	₱794,074,723	₱726,047,776
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 18, 31, 32 and 33)	₱145,597,876	₱126,101,836
Short-term debt (Notes 20, 31, 32 and 33)	24,387,515	21,084,269
Income tax payable	1,943,217	1,340,269
Current portion of:		
Long-term debt (Notes 20, 31, 32 and 33)	28,153,532	10,761,443
Service concession obligation (Notes 15, 32 and 33)	1,255,644	1,019,515
Other current liabilities (Notes 19, 32 and 33)	4,629,680	9,452,281
Total Current Liabilities	205,967,464	169,759,613
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 20, 31, 32 and 33)	210,799,647	226,999,015
Service concession obligation - net of current portion (Notes 15, 32 and 33)	7,538,374	7,859,153
Deferred tax liabilities - net (Note 25)	6,440,505	6,742,633
Pension liabilities (Note 27)	2,545,978	2,179,966
Other noncurrent liabilities (Notes 21, 32 and 33)	32,238,772	25,640,911
Total Noncurrent Liabilities	259,563,276	269,421,678
Total Liabilities	465,530,740	439,181,291

(Forward)



	December 31	
	2015	2014
Equity		
Equity attributable to owners of the parent		
Paid-in capital (Note 22)	₱73,919,322	₱73,571,505
Share-based payments (Note 28)	568,847	377,376
Remeasurement gains (losses) on defined benefit plans (Note 27)	(1,249,716)	(1,005,572)
Net unrealized gain (loss) on available-for-sale financial assets (Note 10)	(554,297)	(7,211)
Cumulative translation adjustments	288,683	(603,765)
Equity reserve (Note 2)	12,402,311	7,478,259
Equity conversion option (Note 20)	1,113,745	1,113,745
Retained earnings (Note 22)	124,468,464	107,039,814
Treasury stock (Note 22)	(2,300,000)	(2,300,000)
	208,657,359	185,664,151
Non-controlling interests	119,886,624	101,202,334
Total Equity	328,543,983	286,866,485
Total Liabilities and Equity	₱794,074,723	₱726,047,776

See accompanying Notes to Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings Per Share Figures)

	Years Ended December 31		
	2015	2014	2013
INCOME			
Sale of goods (Note 31)	₱118,285,566	₱105,140,825	₱92,725,460
Rendering of services (Notes 13 and 31)	55,749,425	51,275,623	44,216,018
Share of profit of associates and joint ventures (Note 12)	15,038,015	13,185,147	10,091,140
Interest income (Note 31)	7,296,799	5,493,715	3,072,071
Other income (Note 23)	11,296,937	9,180,254	9,306,855
	207,666,742	184,275,564	159,411,544
COSTS AND EXPENSES			
Costs of sales (Notes 8 and 31)	89,487,870	77,773,560	66,539,860
Costs of rendering services (Notes 23 and 31)	33,573,245	34,495,682	31,486,686
General and administrative (Notes 23, 27 and 31)	18,052,241	15,831,000	14,613,841
Interest and other financing charges (Notes 20, 23 and 31)	13,276,414	11,933,781	10,511,432
Other charges (Note 23)	5,970,474	3,829,020	5,480,816
	160,360,244	143,863,043	128,632,635
INCOME BEFORE INCOME TAX	47,306,498	40,412,521	30,778,909
PROVISION FOR (BENEFIT FROM)			
INCOME TAX (Note 25)			
Current	8,847,768	7,964,375	8,036,780
Deferred	163,676	173,543	(1,382,570)
	9,011,444	8,137,918	6,654,210
NET INCOME	₱38,295,054	₱32,274,603	₱24,124,699
Net Income Attributable to:			
Owners of the parent (Note 26)	₱22,278,955	₱18,609,229	₱12,777,932
Non-controlling interests	16,016,099	13,665,374	11,346,767
	₱38,295,054	₱32,274,603	₱24,124,699
EARNINGS PER SHARE (Note 26)			
Net income attributable to equity holders of Ayala Corporation			
Basic	₱33.89	₱29.83	₱20.53
Diluted	₱33.38	₱29.35	₱20.39

See accompanying Notes to Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
NET INCOME	₱38,295,054	₱32,274,603	₱24,124,699
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences arising from translations of foreign investments	1,151,571	463,755	2,223,630
Changes in fair values of available-for-sale financial assets	(69,805)	(18,337)	(79,486)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains/(losses) on defined benefit plans (Note 27)	78,152	304,334	(566,140)
Tax effect relating to components of other comprehensive income	(18,035)	(35,348)	72,973
	1,141,883	714,404	1,650,977
SHARE OF OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES			
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences arising from translations of foreign investments	47,017	(19,454)	112,230
Changes in fair values of available-for-sale financial assets	(588,087)	(204,190)	(1,346,297)
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gains/(losses) on defined benefit plans	(267,438)	87,797	(104,731)
	(808,508)	(135,847)	(1,338,798)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	333,375	578,557	312,179
TOTAL COMPREHENSIVE INCOME	₱38,628,429	₱32,853,160	₱24,436,878
Total Comprehensive Income Attributable to:			
Owners of the parent	₱22,380,172	₱19,289,618	₱12,863,794
Non-controlling interests	16,248,257	13,563,542	11,573,084
	₱38,628,429	₱32,853,160	₱24,436,878

See accompanying Notes to Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT													
	Paid-in Capital (Note 22)	Share-based Payments (Note 28)	Other Comprehensive Income			Equity Reserve (Note 2)	Equity Conversion Option	Retained Earnings (Note 22)	Treasury Stock (Note 22)		Total	Non-controlling Interests	Total Equity
			Remeasurement Gains (Losses) on Defined Benefit Plans (Note 27)	Net Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 10)	Cumulative Translation Adjustments				Common Stock	Preferred Stock - B			
For the year ended December 31, 2015													
As of January 1, 2015	₱73,571,505	₱377,376	(₱1,005,572)	(₱7,211)	(₱603,765)	₱7,478,259	₱1,113,745	₱107,039,814	₱–	(₱2,300,000)	₱185,664,151	₱101,202,334	₱286,866,485
Net income	–	–	–	–	–	–	–	22,278,955	–	–	22,278,955	16,016,099	38,295,054
Other comprehensive income (loss)	–	–	(244,144)	(547,086)	892,448	–	–	–	–	–	101,218	232,158	333,376
Total comprehensive income (loss)	–	–	(244,144)	(547,086)	892,448	–	–	22,278,955	–	–	22,380,173	16,248,257	38,628,430
Exercise of ESOP/ESOWN	347,817	–	–	–	–	–	–	–	–	–	347,817	–	347,817
Cost of share-based payments	–	191,471	–	–	–	–	–	–	–	–	191,471	–	191,471
Cash dividends	–	–	–	–	–	–	–	(4,850,305)	–	–	(4,850,305)	(4,836,270)	(9,686,575)
Change in non-controlling interests	–	–	–	–	–	4,924,052	–	–	–	–	4,924,052	7,272,303	12,196,355
At December 31, 2015	₱73,919,322	₱568,847	(₱1,249,716)	(₱554,297)	₱288,683	₱12,402,311	₱1,113,745	₱124,468,464	₱–	(₱2,300,000)	₱208,657,359	₱119,886,624	₱328,543,983

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT													
	Paid-in Capital (Note 22)	Share-based Payments (Note 28)	Other Comprehensive Income		Cumulative Translation Adjustments	Equity Reserve (Note 2)	Equity Conversion Option	Retained Earnings (Note 22)	Treasury Stock (Note 22)		Total	Non-controlling Interests	Total Equity
			Remeasurement Gain (Losses) on Defined Benefit Plans (Note 27)	Net Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 10)					Common Stock	Preferred Stock - B			
For the year ended December 31, 2014													
As of January 1, 2014	₱50,166,129	₱485,187	(₱1,317,954)	₱277,848	(₱1,256,831)	₱7,482,121	₱-	₱92,639,781	₱-	(₱5,000,000)	₱143,476,281	₱91,994,310	₱235,470,591
Net income	-	-	-	-	-	-	-	18,609,229	-	-	18,609,229	13,665,374	32,274,603
Other comprehensive income (loss)	-	-	312,382	(285,059)	653,066	-	-	-	-	-	680,389	(101,833)	578,556
Total comprehensive income (loss)	-	-	312,382	(285,059)	653,066	-	-	18,609,229	-	-	19,289,618	13,563,541	32,853,159
Exercise of ESOP/ESOWN	444,044	(181,961)	-	-	-	-	-	-	-	-	262,083	-	262,083
Cost of share-based payments	-	74,150	-	-	-	-	-	-	-	-	74,150	-	74,150
Sale of treasury stock	10,724,121	-	-	-	-	-	-	-	-	-	13,424,121	-	13,424,121
Issuance of shares	12,237,211	-	-	-	-	-	-	-	-	2,700,000	12,237,211	-	12,237,211
Cash dividends	-	-	-	-	-	-	-	(4,209,196)	-	-	(4,209,196)	(4,522,813)	(8,732,009)
Equity-conversion option	-	-	-	-	-	-	1,113,745	-	-	-	1,113,745	-	1,113,745
Change in non-controlling interests	-	-	-	-	-	(3,862)	-	-	-	-	(3,862)	167,296	163,434
At December 31, 2014	₱73,571,505	₱377,376	(₱1,005,572)	(₱7,211)	(₱603,765)	₱7,478,259	₱1,113,745	₱107,039,814	₱-	(₱2,300,000)	₱185,664,151	₱101,202,334	₱286,866,485



EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT												Total	Non-controlling Interests	Total Equity
	Paid-in Capital (Note 22)	Share-based Payments (Note 28)	Other Comprehensive Income			Equity Reserve (Note 2)	Retained Earnings (Note 22)	Parent Company Preferred Shares Held by Subsidiaries (Note 22)	Treasury Stock (Note 22)						
			Remeasurement Gains (Losses) on Defined Benefit Plans (Note 27)	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets (Note 10)	Cumulative Translation Adjustments				Common Stock	Preferred Stock - B					
For the year ended December 31, 2013															
As of January 1, 2013	₱45,119,932	₱460,771	(₱943,361)	₱1,798,964	(₱3,238,400)	₱5,379,074	₱83,268,077	(₱250,000)	(₱1,697,344)	(₱5,800,000)	₱124,097,713	₱82,342,636	₱206,440,349		
Net income	—	—	—	—	—	—	12,777,932	—	—	—	12,777,932	11,346,766	24,124,698		
Other comprehensive income (loss)	—	—	(374,593)	(1,521,116)	1,981,569	—	—	—	—	—	85,860	226,319	312,179		
Total comprehensive income (loss)	—	—	(374,593)	(1,521,116)	1,981,569	—	12,777,932	—	—	—	12,863,792	11,573,085	24,436,877		
Exercise of ESOP/ESOWN	287,338	(90,083)	—	—	—	—	—	—	—	—	197,255	—	197,255		
Cost of share-based payments	—	114,499	—	—	—	—	—	—	—	—	114,499	—	114,499		
Sale of treasury stock	9,558,859	—	—	—	—	—	—	—	1,697,344	2,000,000	13,256,203	—	13,256,203		
Redemption of preferred shares	(4,800,000)	—	—	—	—	—	—	250,000	—	(1,200,000)	(5,750,000)	—	(5,750,000)		
Cash dividends	—	—	—	—	—	—	(3,406,228)	—	—	—	(3,406,228)	(3,529,114)	(6,935,342)		
Change in non-controlling interests	—	—	—	—	—	2,103,047	—	—	—	—	2,103,047	1,607,703	3,710,750		
At December 31, 2013	₱50,166,129	₱485,187	(₱1,317,954)	₱277,848	(₱1,256,831)	₱7,482,121	₱92,639,781	₱—	₱—	(₱5,000,000)	₱143,476,281	₱91,994,310	₱235,470,591		

See accompanying Notes to Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱47,306,498	₱40,412,521	₱30,778,909
Adjustments for:			
Interest and other financing charges - net of amount capitalized (Note 23)	13,276,414	11,933,781	10,511,432
Depreciation and amortization (Note 23)	9,443,089	9,158,195	8,643,905
Cost of share-based payments (Note 28)	373,161	222,417	199,301
Provision for doubtful accounts (Note 23)	264,735	182,383	-
Provision for impairment on (Note 23):			
Inventories	76,621	149,077	-
Available-for-sale financial assets	61,701	66,834	228,580
Investments in associates and joint ventures	546,333	-	-
Property, plant and equipment	88,753	-	222
Investment properties	-	-	400
Intangible assets	423,541	335,731	31,830
Gain on sale of (Note 23):			
Investments	(1,738,349)	(2,633,329)	(190,296)
Other assets	(51,936)	(711,001)	(19,382)
Other investment income (Note 23)	(367,491)	(443,090)	(879,951)
Interest income	(7,296,799)	(5,493,715)	(3,072,071)
Share of profit of associates and joint ventures (Note 12)	(15,038,015)	(13,185,148)	(10,091,139)
Operating income before changes in working capital	47,368,256	39,994,656	36,141,740
Decrease (increase) in:			
Accounts and notes receivable - trade	(17,404,502)	(11,576,951)	(8,361,297)
Inventories	(4,344,029)	(1,534,405)	(2,285,580)
Service concession assets	(6,609,718)	(2,997,352)	(5,368,835)
Other current assets	2,540,623	(3,933,236)	(2,895,043)
Increase (decrease) in:			
Accounts payable and accrued expenses	16,638,678	31,114,583	19,236,450
Net pension liabilities	342,193	479,604	169,723
Other current liabilities	(3,827,639)	3,814,709	4,021,260
Net cash generated from operations	34,703,862	55,361,608	40,658,418
Interest received	7,363,940	5,595,767	2,863,872
Interest paid	(13,289,559)	(11,966,127)	(10,056,631)
Income tax paid	(10,192,869)	(9,782,770)	(7,849,804)
Net cash provided by operating activities	18,585,374	39,208,478	25,615,855
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/maturities of available-for-sale financial assets	826,148	717,072	653,327
Sale/maturities of financial assets at fair value through profit or loss	28,117,351	40,417,857	1,046,783
Sale/redemptions of investments in associates and joint ventures	5,782,807	7,300,597	681,120

(Forward)



	Years Ended December 31		
	2015	2014	2013
Disposals of:			
Property, plant and equipment (Note 14)	₱434,084	₱1,657,058	₱101,797
Investment properties (Note 13)	681,913	1,538,984	131,781
Land and improvements (Note 11)	24,449	3,935	—
Maturities of (additions to) short-term investments	(949,250)	(983,358)	177,159
Additions to:			
Service concession assets (Note 15)	(217,527)	(666,569)	(89,054)
Investments in associates and joint ventures	(8,767,207)	(35,926,256)	(18,574,892)
Property, plant and equipment (Note 14)	(15,753,861)	(6,233,101)	(6,838,751)
Investment properties (Note 13)	(12,706,724)	(13,375,167)	(12,086,027)
Land and improvements (Note 11)	(22,475,160)	(28,841,363)	(29,446,957)
Accounts and notes receivable - non trade	(979,350)	(5,171,180)	(2,607,547)
Financial assets at fair value through profit or loss	(22,357,315)	(33,186,064)	(13,823,514)
Available-for-sale financial assets	(1,079,053)	(562,661)	(1,119,885)
Intangible assets (Note 16)	319,530	(172,452)	(175,883)
Dividends received from associates, joint ventures and available-for-sale financial assets	8,309,970	5,742,014	6,131,475
Acquisitions through business combinations - net of cash acquired (Note 24)	(781,687)	(274,932)	2,766
Decrease (increase) in other noncurrent assets	2,749,436	(14,730,215)	(4,906,765)
Net cash used in investing activities	(38,821,446)	(82,745,801)	(80,743,067)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term and long-term debt	75,097,645	78,310,834	76,845,127
Payments of short-term and long-term debt	(71,223,956)	(25,018,135)	(45,973,965)
Reissuance of treasury shares (Note 22)	—	13,424,121	13,256,203
Dividends paid	(9,130,756)	(7,581,660)	(6,640,418)
Redemption of preferred shares (Note 22)	—	—	(5,750,000)
Service concession obligation paid (Note 15)	(646,815)	(698,927)	(924,936)
Collections of subscriptions receivable	166,127	113,817	112,453
Issuance of common shares (Note 22)	—	12,237,211	—
Increase (decrease) in:			
Other noncurrent liabilities	5,135,008	812,972	2,044,949
Non-controlling interests in consolidated subsidiaries	12,223,836	(2,948,434)	7,526,493
Net cash provided by financing activities	11,621,089	68,651,799	40,495,906
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,614,983)	25,114,476	(14,631,306)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	90,769,525	65,655,049	80,286,355
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱82,154,542	₱90,769,525	₱65,655,049

See accompanying Notes to Consolidated Financial Statements.



AYALA CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Ayala Corporation (the Parent Company) is incorporated in the Republic of the Philippines on January 23, 1968. The Parent Company's registered office address and principal place of business is 32F-35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City. The Parent Company is a publicly listed company which is 49.01% owned by Mermac, Inc., 10.18% owned by Mitsubishi Corporation and the rest by the public.

The Parent Company is the holding company of the Ayala Group of Companies (the Group), with principal business interests in real estate and hotels, financial services and insurance, telecommunications, water distribution and used water services, electronics manufacturing, information technology, business process outsourcing (BPO) services, automotive, transport infrastructure, power generation, education, healthcare, international and others.

2. Group Information

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries of the Group:

Subsidiaries	Nature of Business	% of Economic Ownership Interest held by the Group	
		2015	2014
AC Energy Holdings, Inc. (ACEHI)	Power Generation	100.0%	100.0%
AC Infrastructure Holdings Corporation (AC Infra)	Transport Infrastructure	100.0	100.0
AC International Finance Limited (ACIFL)*	Investment Holding	100.0	100.0
AG Counselors Corporation (AGCC)	Consulting Services	100.0	100.0
Ayala Automotive Holdings Corporation (AAHC)	Automotive	100.0	100.0
Ayala Aviation Corporation (AAC)	Air Charter	100.0	100.0
Ayala Land, Inc. (ALI)	Real Estate and Hotels	47.2	48.9
AYC Finance Ltd. (AYCFL)*	Investment Holding	100.0	100.0
Azalea International Venture Partners Limited (AIVPL)**	BPO	100.0	100.0
Ayala Healthcare Holdings, Inc. (AHCHI) (formerly Azalea Technology Investments, Inc.)	Healthcare	100.0	100.0
Bestfull Holdings Limited (BHL)***	Investment Holding – International	100.0	100.0
Darong Agricultural and Development Corporation (DADC)	Agriculture	100.0	100.0
Integrated Microelectronics, Inc. (IMI)	Electronics Manufacturing	50.7	50.9
Ayala Education, Inc. (AEI) (formerly Livelt Global Services Management Institute, Inc.)	Education	100.0	100.0
Manila Water Company, Inc. (MWC)	Water Distribution and Used water Services	51.6	48.5
Michigan Holdings, Inc. (MHI)	Investment Holding	100.0	100.0
Philwater Holdings Company, Inc. (Philwater)	Investment Holding	100.0	100.0
Purefoods International, Ltd. (PFIL)**	Investment Holding	100.0	100.0
Technopark Land, Inc. (TLI)	Real Estate	78.8	78.8
Water Capital Works, Inc. (WCW)	Investment Holding	100.0	100.0

*Incorporated in Cayman Islands

**Incorporated in British Virgin Islands

***Incorporated in Hong Kong



Unless otherwise indicated, the principal place of business and country of incorporation of the Parent Company's investments in subsidiaries, associates and joint ventures is the Philippines.

Except as discussed below, the voting rights held by the Parent Company in its investments in subsidiaries are in proportion to its ownership interest.

The following significant transactions affected the Parent Company's investments in its subsidiaries:

Investment in ACIFL

In June 2014, ACIFL repurchased its 39,585,146 shares which were issued and registered in the name of the Parent Company, ACIFL's sole shareholder. The repurchase price was at par of US\$1.00 per share for a total amount of US\$39.6 million. ACIFL remained a wholly-owned subsidiary of the Parent Company after the transaction.

As of December 31, 2015 and 2014, ACIFL, through its wholly-owned subsidiary, AYC Holdings Inc., owns 50.7% and 50.9% of the common shares of IMI, respectively. The fair value of IMI shares held by AYC Holdings amounted to ₱5.3 billion and ₱6.4 billion as of December 31, 2015 and 2014, respectively.

Investment in ACEHI

On various dates in 2015 and 2014, the Parent Company infused additional capital to ACEHI which amounted to ₱1.6 billion and ₱9.5 billion, respectively. The proceeds were used to finance the various renewable energy, wind and coal projects of ACEHI to complete its planned 1,000 megawatt capacity.

Investment in ALI

In January 2015 and March 2013, the Parent Company participated in the placement and subscription of 484.8 million and 399.5 million common shares of ALI with proceeds of ₱16.0 billion and ₱12.2 billion, respectively. The Parent Company sold its listed ALI common shares through a private placement and infused the proceeds into ALI as subscription for the same number of new ALI shares at the same price. These transactions support ALI's fund raising initiatives to acquire assets for its expansion projects.

Following the transactions, the Parent Company's ownership interest in ALI's common stock was reduced from 48.9% to 47.2% as of January 2015 and from 50.4% to 48.9% as of March 2013. The Parent Company maintained the same number of common shares it held in ALI prior to the transactions.

ALI shares with carrying value of ₱301.2 million as of December 31, 2015 and 2014 were collateralized to secure the Parent Company's loan facility. The fair value of ALI shares collateralized amounted to ₱13.8 billion and ₱13.3 billion as of December 31, 2015 and 2014, respectively (see Note 20).

The fair value of ALI shares held by the Parent Company amounted to ₱238.8 billion and ₱232.9 billion as of December 31, 2015 and 2014, respectively. The voting rights held by the Parent Company in ALI is 68.9% and 70.1% in 2015 and 2014, respectively.

Investment in AIVPL

In June 2014, AIVPL repurchased its 140,865,770 shares which were issued and registered in the name of Parent Company, AIVPL's sole shareholder. The repurchase price was at par of US\$1.00 per share for a total amount of US\$140.9 million. AIVPL remained a wholly-owned subsidiary of the Parent Company after the transaction.



Investment in AHCHI

On June 18, 2015, the SEC approved the change in name of Azalea Techonology Investments, Inc. to Ayala Healthcare Holdings, Inc.

On July 15, 2015, AHCHI acquired a 50% ownership interest in the Generika Group amounting to ₱400.0 million. The Generika Group operates in the retail pharmacy industry sector focusing on the distribution of quality generic medicines in the Philippines (see Note 12).

Investment in AEI

On March 11, 2015, the SEC approved the change in name of Livelt Global Services Management Institute, Inc. to Ayala Education Inc.

In 2015 and 2014, the Parent Company infused additional capital to AEI amounting to ₱435.1 million and ₱389.0 million, respectively, to fund AEI's operating requirements, additional investment in Affordable Private Education Center (APEC) and acquisition of 59% stake in University of Nueva Caceres (UNC) in 2015 (see Note 24).

Investment in MWC

In 2015, the Parent Company and its wholly-owned subsidiary, MHI, purchased additional 78,629,900 shares amounting to ₱1.9 billion. The transaction resulted in the Parent Company increasing its ownership interest in MWC from 32.2% to 35.3% as of December 31, 2015.

The fair value of the MWC shares held by the Parent Company amounted to ₱21.5 billion and ₱22.8 billion as of December 31, 2015 and 2014, respectively. The voting rights held by the Group in MWC is 80.4% and 79.7% as of December 31, 2015 and 2014, respectively.

Investment in BHL

On various dates in 2014, the Parent Company sold to ACIFL 9,835,709 redeemable preferred shares of BHL amounting to ₱4.5 billion for a total consideration of ₱5.1 billion.

In February 2015, the Parent Company sold to ACIFL 535,294 redeemable preferred shares of BHL for a total consideration of ₱264.7 million. As of December 31, 2015, BHL remained 100% owned by the Parent Company.

Investment in AAHC

In 2015 and 2014, the Parent Company subscribed to redeemable preferred shares of AAHC amounting to ₱150.0 million and ₱450.0 million, respectively.

The redeemable preferred shares have the following features: (a) voting; (b) participating; (c) preferred in distribution of assets in case of liquidation and in payment of dividend; (d) redeemable at the option of AAHC, provided that in no case shall the redemption price be less than the cost of shares as recorded in the books of AAHC at the time of redemption.

Investment in AAC

The Parent Company infused additional capital to AAC amounting to ₱92.7 million and ₱268.72 million in 2015 and 2014, respectively. The additional capital was used to purchase new aircrafts and support working capital requirements.

Investment in AC Infra

On various dates in 2015 and 2014, the Parent Company infused additional capital to AC Infra amounting to ₱839.2 million and ₱925.0 million, respectively. The additional capital was used for operating and capital expenditures of AC Infra and investment in Light Rail Manila Holdings, Inc (see Note 12).

Investment in IMI

As of December 31, 2014, the Parent Company's investment in IMI includes ₱1.1 billion investment in IMI Preferred Shares. The IMI Preferred Shares have the following features: (a)



voting; (b) dividend rate of 8.25% per annum, payable quarterly, cumulative; (c) nonconvertible; (d) preferred in distribution of assets in case of liquidation and in payment of dividends; (e) nonparticipating; (f) no pre-emptive rights; and (g) redeemable at the option of IMI at issue value after the 5th year issue anniversary. On June 25, 2015, IMI redeemed 1,064,899,372 preferred shares from the Parent Company at a redemption price of ₱1.00 per share.

In 2014, IMI has completed its public offering and listing of 215.0 million common shares at an offer price of ₱7.50 per share, with a par value of ₱1.00 per share, raising ₱1.61 billion (\$35.92 million) cash to fund capital expenditure, support business expansion, refinance debt and fund working capital requirements. The follow-on offering resulted in the Group's ownership interest in IMI reduced from 57.8% to 50.9%.

The fair value of the IMI shares held by the Group amounted to ₱5.3 billion and ₱6.4 billion as of December 31, 2015 and 2014, respectively. The voting rights held by the Group in IMI as of December 31, 2015 and 2014 is 50.8% and 63.2%, respectively.

Investment in PFIL

In August 2014, PFIL redeemed from the Parent Company 3,500,000 shares amounting to ₱153.4 million. PFIL remained a wholly-owned subsidiary of the Parent Company after the transaction.

Investment in MPM Noodle Corporation (MPM)

In 2014, MPM was dissolved. The Parent Company derecognized its investment amounting to ₱81.6 million.

Material partly-owned subsidiaries

Information of subsidiaries that have material non-controlling interests is provided below:

Subsidiary	Accumulated Balances of Non-controlling Interest		Profit (Loss) Allocated to Non-controlling Interest		
	2015 (In Thousands)	2014	2015 (In Thousands)	2014	2013
ALI	₱85,164,840	₱68,438,083	₱12,593,401	₱10,454,204	₱8,150,756
MWC	28,326,642	27,382,229	2,884,453	2,678,153	2,917,444
IMI	5,346,603	4,849,118	635,742	560,988	155,840

The summarized financial information of these subsidiaries is provided below. These information is based on amounts before inter-company eliminations.

2015	ALI	MWC	IMI*
	(In Thousands)		
Statement of financial position			
Current assets	₱166,203,595	₱9,948,298	₱17,412,901
Noncurrent assets	276,138,205	70,660,187	6,895,220
Current liabilities	146,132,855	12,399,813	11,322,711
Noncurrent liabilities	146,383,534	28,489,680	2,046,889
Dividends paid to non-controlling interests	3,279,773	1,397,927	148,379
Statement of comprehensive income			
Revenue	₱107,182,940	₱16,935,883	₱38,323,975
Profit attributable to:			
Equity holders of the parent	17,630,275	5,957,780	1,354,845
Non-controlling interests	3,266,612	176,260	924
Total comprehensive income attributable to:			
Equity holders of the parent	17,601,457	6,215,958	1,049,400
Non-controlling interests	3,270,687	176,260	924

(Forward)



2015	ALI	MWC	IMI*
		(In Thousands)	
Statement of cash flows			
Operating activities	₱20,181,733	₱4,988,869	₱2,344,693
Investing activities	(48,887,550)	(795,528)	(1,659,398)
Financing activities	19,115,925	(3,795,939)	(1,418,880)
Effect of changes in foreign exchange on cash and cash equivalents	—	—	(23,754)
Net increase (decrease) in cash and cash equivalents	(₱9,589,892)	₱397,402	(₱757,339)

*Translated using the exchange rate at the reporting date (US\$1:₱47.06 in December 31, 2015)

2014	ALI	MWC	IMI*
		(In Thousands)	
Statement of financial position			
Current assets	₱165,634,445	₱9,094,065	₱18,603,911
Noncurrent assets	223,310,018	65,765,839	6,113,164
Current liabilities	135,446,156	7,858,162	10,761,152
Noncurrent liabilities	131,502,849	31,900,171	3,032,366
Dividends paid to non-controlling interests	3,063,153	1,398,015	81,645
Statement of comprehensive income			
Revenue	₱95,197,046	₱16,357,145	₱37,764,880
Profit (loss) attributable to:			
Equity holders of the parent	14,802,642	5,813,089	1,302,113
Non-controlling interests	2,911,816	16,860	(5,619)
Total comprehensive income attributable to:			
Equity holders of the parent	14,851,119	5,948,616	1,038,034
Non-controlling interests	2,913,188	16,972	(5,619)
Statement of cash flows			
Operating activities	₱35,164,767	₱5,024,582	₱1,822,661
Investing activities	(51,505,233)	(359,497)	(142,914)
Financing activities	17,051,610	(4,992,312)	1,412,333
Effect of changes in foreign exchange on cash and cash equivalents	—	—	(25,053)
Net increase (decrease) in cash and cash equivalents	₱711,144	(₱327,227)	₱3,067,027

*Translated using the exchange rate at the reporting date (US\$1:₱44.72 in December 31, 2014)

3. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) financial assets and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱) and all values are rounded to the nearest thousand pesos (₱000) unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

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



Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015.

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

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

- a. The contractual arrangement with the other vote holders of the investee
- b. Rights arising from other contractual arrangements
- c. The Group's voting rights and potential voting rights

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

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly-owned are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserve" and attributed to the owners of the Parent Company.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while the resulting gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial years except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2015. The nature and the impact of each new standards and amendments is described below:



New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015.

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

PAS 19, Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and did not have a material impact on the Group. They include:

PFRS 2, Share-based Payment – Definition of Vesting Condition

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In



addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

PAS 24, Related Party Disclosures – Key Management Personnel

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant to the Group as it does not receive any management services from other entities.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after July 1, 2014 and did not have a material impact on the Group. They include:

PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements

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

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

PFRS 13, Fair Value Measurement – Portfolio Exception

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

PAS 40, Investment Property

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Standards and Interpretation Issued but not yet Effective

The Group will adopt the following new and amended Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Effective January 1, 2016

PAS 1, Presentation of Financial Statements – Disclosure Initiative

The amendments to PAS 1 clarify, rather than significantly change, existing PAS 1 requirements. The amendments clarify:

- The materiality requirements in PAS 1
- That specific line items in the statements of income and comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss



Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and comprehensive income. These amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have a material impact on the Group.

PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate or amortize its non-current assets.

PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture – Bearer Plants (Amendments)

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have a material impact to the Group.

PAS 27, Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

PFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments)

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

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



PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under PFRS 10. The amendments to PFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to PFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to PAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

PFRS 7, *Financial Instruments: Disclosures – Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.



PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

PAS 34, *Interim Financial Reporting – Disclosure of Information ‘Elsewhere in the Interim Financial Report’*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

PFRS 9, *Financial Instruments – Classification and Measurement* (2010 version)

PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 may have an effect on the classification and measurement of the Group's financial assets, but may potentially have no significant impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015 but the mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC) and by the Board of Accountancy (BOA).

PFRS 9, *Financial Instruments – Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39* (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.



PFRS 9 (2013 version) has no mandatory effective date but the mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. and by the BOA.

PFRS 9, Financial Instruments (2014 or final version)

In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 may 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 may also have an effect on the Group's application of hedge accounting. The Group will continue to monitor developments in this reporting standard and assess its impact on or need for adoption by the Group.

Standards and Interpretation with Deferred Effectivity

Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

New Standards Issued by the IASB but not yet Adopted by the FRSC

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

IFRS 16 Leases

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces IAS 17, the current lease standard, and related Interpretations.



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

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

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

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on a current and noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

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

Short-term Investments

Short-term investments are short-term placements with maturities of more than three months but less than one year from the date of acquisition. These earn interest at the respective short-term investment rates.



Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets. The Group also classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Day 1 difference

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

Financial assets and financial liabilities at FVPL

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



Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses on investments held for trading, net of interest income or expense accrued on these assets, are recognized in the consolidated statement of income under "Other income" or "Other charges". Interest earned or incurred is recorded in "Interest income" or "Interest and other financing charges" while dividend income is recorded in "Other income" when the right to receive payment has been established.

Where a contract contains one or more embedded derivatives, the hybrid contract may be designated as financial asset or financial liability at FVPL, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

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

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

The Group's financial assets and financial liabilities at FVPL pertain to government securities, other investment securities, derivatives not designated as accounting hedges and embedded derivatives.

Derivative instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group uses derivative instruments such as structured currency options and currency forwards to hedge its risks associated with foreign currency fluctuations. Such derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows that otherwise would be required under the contract.

HTM investments

HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted or reclassified as AFS financial assets. After initial measurement, these investments



are measured at amortized cost using the effective interest rate method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. The amortization is included in "Interest income" in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the HTM investments are derecognized or impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the consolidated statement of income under "Provision for impairment losses" account.

As of December 31, 2015 and 2014, the Group has no HTM investments.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial asset at FVPL. This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Short-term investments" and "Accounts and notes receivable" (except for Advances to contractors and suppliers).

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. The amortization is included in the "Interest income" account in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized under "Provision for doubtful accounts" in the consolidated statement of income.

Loans and receivables are included in current assets if maturity is within 12 months or when the Group expects to realize or collect within 12 months from the reporting date. Otherwise, they are classified as noncurrent assets.

AFS financial assets

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

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

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains or losses arising from the fair valuation of AFS financial assets are recognized in other comprehensive income and are reported as "Net unrealized gain (loss) on available-for-sale financial assets" (net of tax where applicable) in equity. The Group's share in its associates' or joint ventures' net unrealized gain (loss) on AFS is likewise included in this account.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income under "Other income" or "Other charges". Where the Group holds more than one investment in the same security, the cost is determined using the weighted average method. Interest earned on AFS financial assets is reported as interest income using the effective interest rate. Dividends earned are recognized under "Other income" in the consolidated statement of income when the right to receive payment is established. The losses arising from impairment of such investments are recognized under "Provision for impairment losses" in the consolidated statement of income.



When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any allowance for impairment losses.

The Group's AFS financial assets pertain to investments in debt and equity securities included under "Investments in bonds and other securities" in the consolidated statement of financial position. AFS financial assets are included under "Other current assets" if expected to be realized within 12 months from reporting date.

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group's short-term and long-term debt, accounts payable and accrued expenses, and other current and noncurrent liabilities and obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable).

Other financial liabilities are included in current liabilities if maturity is within 12 months or when the Group expects to realize or collect within 12 months from the reporting date. Otherwise, they are classified as noncurrent liabilities.

Exchangeable bonds

In 2014, AYCFL issued exchangeable bonds (see Note 20). On issuance of exchangeable bonds, the proceeds are allocated between the embedded exchange option and the liability component. The embedded exchange option is recognized at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the exchange option.

The exchange option is subsequently carried at its fair value with fair value changes recognized in profit or loss. The liability component is carried at amortised cost until the liability is extinguished on exchange or redemption.

When the exchange option is exercised, the carrying amounts of the liability component and the exchange option are derecognized. The related investment in equity security of the guarantor is likewise derecognized.

Upon consolidation, the exchangeable bond is classified as a compound instrument and accounted for using split accounting. The value allocated to the equity component at initial recognition is the residual amount after deducting the fair value of the liability component from the issue proceeds of the exchangeable bonds. Transaction costs incurred in relation to the issuance of the exchangeable bonds was apportioned between the liability and equity component based on their values at initial recognition.

Subsequently, the liability component is carried at amortized cost using the effective interest rate method while the equity component is not revalued. When the conversion option is exercised, the



carrying amount of the liability and equity component is derecognized and their balances transferred to equity. No gain or loss is recognized upon exercise of the conversion option.

Deposits, retentions payable and customers' guaranty and other deposits

Deposits, retentions payable and customers' deposits and other deposits are initially measured at fair value. After initial recognition, these are subsequently measured at amortized cost using the effective interest rate method. The difference between the cash received and its fair value is deferred (included in the "Deferred credits" account in the consolidated statement of financial position). Deposits are amortized using the straight-line method with the amortization included under the "Rendering of services" account in the consolidated statement of income while customers' guaranty and other deposits are amortized over the remaining concession period with the amortization included under "Interest and other financing charges" in the consolidated statement of income.

Financial guarantee contracts

Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Derecognition of Financial Assets and Liabilities

Financial asset

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

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

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

Financial liability

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

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is



measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is charged to the consolidated statement of income under "Provision for doubtful accounts". Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

Financial assets carried at cost

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

AFS financial assets

In the case of equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair



value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from other comprehensive income and recognized in the consolidated statement of income under "Other charges." Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are carried at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and conditions are generally accounted for as follows:

Real estate inventories

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

Club shares - cost is determined mainly on the basis of the actual development cost incurred plus the estimated development cost to complete the project based on the estimates as determined by the in-house engineers, adjusted with the actual costs incurred as the development progresses, including borrowing costs during the development stage.

Vehicles - purchase cost on specific identification basis.

Finished goods and work-in-process - determined on a moving average basis; cost includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity.

Parts and accessories, materials, supplies and others - purchase cost on a moving average basis.

NRV for real estate inventories, club shares, vehicles, finished goods and work-in-process and parts and accessories is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale, while NRV for materials, supplies and others represents the related replacement costs. In the event that NRV is lower than cost, the decline shall be recognized as an expense in the consolidated statement of income.

The cost of real estate inventory recognized in the consolidated statement of income on disposal is determined with reference to the specific costs incurred on the property and allocated to saleable area based on relative size.



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

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees and promotion, taxes and licenses, rentals and insurance.

Creditable Withholding Tax

This pertains to the tax withheld at source by the Group's customer and is creditable against the income tax liability of the Group.

Value-Added Tax (VAT)

Input VAT pertains to the indirect tax paid by the Group in the course of the Group's trade or business on purchase of goods or services.

Output VAT pertains to the tax due on the sale of goods or services by the Group.

If at the end of any reporting date, the output VAT exceeds the input VAT, the outstanding balance is included under "Other current liabilities" account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under "Other current asset" account.

Noncurrent Assets Held for Sale

Noncurrent assets held for sale are carried at the lower of its carrying amount and fair value less costs to sell. At reporting date, the Group classifies assets as held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Land and Improvements

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

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.



The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in associates or joint ventures is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of these investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of associates and joint ventures is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as "Share of profit of associates and joint ventures" in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals and for capital appreciation, and are not occupied by the companies in the Group. The Group uses the cost model in measuring investment properties since this represents the historical value of the properties subsequent to initial recognition. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value.

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

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

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, regardless of utilization. The estimated useful lives and the depreciation and amortization method are reviewed periodically to ensure that the period and method of



depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

The estimated useful lives of investment properties follow:

Land improvements	8 to 40 years
Buildings	20 to 40 years

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

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

Property, Plant and Equipment

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

Construction-in-progress is stated at cost. This includes cost of construction and other direct costs. Construction-in-progress is not depreciated or amortized until such time that the relevant assets are completed and put into operational use.

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

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

Buildings and improvements	3 to 40 years
Machinery and equipment	3 to 10 years
Hotel property and equipment	20 to 50 years
Furniture, fixtures and equipment	2 to 10 years
Transportation equipment	3 to 5 years

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

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



Service Concession Assets and Obligations

The Group accounts for its concession arrangements with Department of Public Works and Highways (DPWH), Metropolitan Waterworks and Sewerage System (MWSS), Provincial Government of Laguna (PGL), Tourism Infrastructure and Enterprise Zone Authority (TIEZA) and Clark Development Corporation (CDC) under the Intangible Asset model as the Group receives the right (license) to charge users of public service. Under the Group's concession agreements, the Group is granted the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide the public water services. The legal title to these assets shall remain with DPWH, MWSS, PGL, TIEZA and CDC at the end of the concession period.

On the other hand, the concession arrangement with the Provincial Government of Cebu is accounted for under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial asset for its construction services from or at the direction of the grantor. Under the concession arrangement, Cebu Manila Water Development, Inc. (CMWD) (a subsidiary of MWC) is awarded the right to deliver Bulk Water supply to the grantor for a specific period of time under the concession period.

The "Service concession assets" (SCA) pertain to the fair value of the service concession obligations at drawdown date and construction costs related to the rehabilitation works performed by the Group and other local component costs and cost overruns paid by the Group. These are amortized using the straight-line method over the term of the related concession.

In addition, the Parent Company and MWC recognize and measure revenue from rehabilitation works in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. Recognition of revenue is by reference to the 'stage of completion method', also known as the 'percentage of completion method' as provided under PAS 11. Contract revenue and costs from rehabilitation works are recognized as "Revenue from rehabilitation works" and "Cost of rehabilitation works" in the consolidated statement of income in the period in which the work is performed.

Intangible Assets

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

The estimated useful life of intangible assets is assessed as either finite or indefinite.

The estimated useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized over their estimated useful lives on a straight line basis. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

The estimated useful lives of intangible assets follow:

Customer relationships	7 years
Order backlog	6 months
Unpatented technology	5 years
Developed software	3 years
Licenses	3 years
Technical service agreement	3 years
Trademark	3 to 5 years



Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite useful life is reviewed annually to determine whether the indefinite useful life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible assets and is recognized in the consolidated statement of income when the intangible asset is derecognized.

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

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset under "Project Development Cost" when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development; and,
- The ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Business Combinations and Goodwill

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and included under "Remeasurement gain/loss arising from business combination" in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit



or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain. The Group reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure amounts to be recognized at the acquisition date if the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.



Combinations of Entities Under Common Control

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

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparative financial information are presented as if the entities had always been combined.

The effects of any intercompany transactions are eliminated to the extent possible.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Impairment of Nonfinancial Assets

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

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



the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates and joint ventures

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

Impairment of goodwill

For assessing impairment of goodwill, a test for impairment is performed annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Fair Value Measurement

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

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

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

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

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

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

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

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



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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Equity

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

Subscriptions receivable pertains to the uncollected portion of the subscribed shares and is presented as reduction from equity.

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

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

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC), Q&A 2006-01, the



percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished, and the costs incurred or to be incurred can be measured reliably). Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included under "Other current liabilities" in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Other current liabilities" account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Group's in-house technical staff.

The cost of real estate inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property allocated to saleable area based on relative size and takes into account the percentage of completion used for revenue recognition purposes.

Revenue from construction contracts are recognized using the percentage-of-completion method, measured principally on the basis of the estimated physical completion of the contract work.

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

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

Rooms revenue from hotel and resort operations are recognized when services are rendered. Revenue from banquets and other special events are recognized when the events take place.

Water and sewer revenue are recognized when the related water and sewerage services are rendered. Water and sewerage are billed every month according to the bill cycles of the customers. As a result of bill cycle cut-off, monthly service revenue earned but not yet billed at end of the month are estimated and accrued. These estimates are based on historical consumption of the customers. A certain percentage of water revenue is recognized as environmental charges. Other customer related fees such as reconnection and disconnection fees are recognized when these services have been rendered.

Revenue from rehabilitation works is recognized and measured by the Group in accordance with PAS 11 for the construction and PAS 18 for the service. This includes revenue from rehabilitation



works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements which is recognized as part of SCA.

When the Group provides construction or upgrade services, the consideration received or receivable is recognized at its fair value. The Group accounts for revenue and costs relating to operation services in accordance with PAS 18.

Revenue from toll fees is recognized upon entry of vehicles in the toll road facility and receipt of cash payment. Toll fees received in advance, through transponders or magnetic cards, are included under "Accounts Payable".

Revenue from sales of electronic products and vehicles and related parts and accessories are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received excluding discounts, returns, rebates and sales taxes.

Marketing fees, management fees from administrative and property management and revenue from vehicle repairs are recognized when services are rendered.

Revenue from digitizing and document creation services are recognized when the service is completed and electronically sent to the customer. Provision for discounts and other adjustments are provided for in the same period the related sales are recorded.

Revenue from implementation of human resource outsourcing services arising from stand-alone service contracts that require significant modification or automization of software is recognized based on percentage-of-completion method.

Revenue from run and maintenance of human resource outsourcing services arising from a stand-alone post contract customer support or services is recognized on a straight-line basis over the life of the contract.

Revenue from implementation and run and maintenance of finance and accounting outsourcing services arising from multiple deliverable software arrangements is recognized on a straight-line basis over the life of the contract.

Tuition and other school fees are recognized over the period of instruction. Tuition and other school fees collected during the year that are applicable in the next school year are deferred and presented under the "Others" account in the Other Noncurrent Liabilities section of the consolidates statement of financial position.

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

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

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



Group as lessee

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

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful lives of the assets or the respective lease terms.

Group as lessor

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

Commissions

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

Expenses

Costs of rendering services and general and administrative expenses, except for lease agreements, are recognized as expense as they are incurred.

Borrowing Costs

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

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



Pension Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with the option to accelerate when significant changes to underlying assumptions occur.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Pension liabilities are the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net pension asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined contribution plans

Certain foreign subsidiaries participate in their respective country's pension schemes which are considered as defined contribution plans. A defined contribution plan is a pension plan under which the subsidiary pays fixed contributions. These subsidiaries have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the



benefits relating to employee service in the current and prior periods. The required contributions to the national pension schemes are recognized as pension cost as accrued.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Income Tax

Current tax

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

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in foreign subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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



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

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

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

Foreign Currency Transactions

The functional and presentation currency of the Parent Company and its subsidiaries (except for AYCF, ACIFL, PFIL, BHL, AIVPL and IMI), is the Philippine Peso (₱). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of income with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are recognized in the consolidated statement of comprehensive income until the disposal of the net investment, at which time they are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

The functional currency of AYCF, ACIFL, PFIL, BHL, AIVPL and IMI is the US Dollar (US\$). As of the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their statement of income accounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in the consolidated statement of comprehensive income and reported as a separate component of equity as "Cumulative Translation Adjustment". On disposal of a foreign entity, the deferred cumulative amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation shall be recognized in the consolidated statement of income.

Exchange differences arising from elimination of intragroup balances and intragroup transactions are recognized in profit or loss. As an exception, if the exchange differences arise from intragroup balances that, in substance, forms part of an entity's net investment in a foreign operation, the exchange differences are not to be recognized in profit or loss, but are recognized in OCI and accumulated in a separate component of equity until the disposal of the foreign operation.

On disposal of a foreign entity, the deferred cumulative amount recognized in the consolidated statement of comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

The Group's share in the translation adjustments of associates and joint ventures are likewise included under the "Cumulative Translation Adjustments" account in the consolidated statement of comprehensive income.



MWC Group

As approved by the MWSS Board of Trustees (BOT) under Amendment No. 1 of the Concession Agreement with MWSS, the following will be recovered through billings to customers:

- a. Restatement of foreign currency-denominated loans;
- b. Excess of actual concession fee payment over the amounts of concession fees translated using the base exchange rate assumed in the business plan approved every rate rebasing exercise. The current base exchange rate is ₱41.19:US\$1.0 based on the last rate rebasing exercise effective on January 1, 2013;
- c. Excess of actual interest payment translated at exchange spot rate on settlement date over the amount of interest translated at drawdown rate; and
- d. Excess of actual payment of other financing charges relating to foreign currency-denominated loans translated at exchange spot rate on settlement date over the amount of other financing charges translated at drawdown rate.

In view of the automatic reimbursement mechanism, the MWC Group recognizes deferred foreign currency differential adjustment (FCDA) (included as part of "Other noncurrent assets" or "Other noncurrent liabilities" in the consolidated statement of financial position) for both the realized and unrealized foreign exchange gains and losses. Other water revenue-FCDA is credited (debited) upon recovery (refund) of realized foreign exchange losses (gains). The write-off or reversal of the deferred FCDA pertaining to concession fees will be made upon determination of the rebased foreign exchange rate, which is assumed in the business plan approved by MWSS-Regulatory Office (RO) during the latest Rate Rebasing exercise, unless indication of impairment of the deferred FCDA would be evident at an earlier date.

Share-based Payments

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

PFRS 2 Options

For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. In valuing equity-settled transactions, vesting conditions, including performance conditions, other than market conditions (conditions linked to share prices), shall not be taken into account when estimating the fair value of the shares or share options at the measurement date. Instead, vesting conditions are taken into account in estimating the number of equity instruments that will ultimately vest. Fair value is determined by using the Black-Scholes model, further details of which are provided in Note 28 to the consolidated financial statements.

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

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

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



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

Pre-PFRS 2 Options

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 26).

Employee share purchase plans

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

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares issued and outstanding during the year. The net income attributable to common equity holders is net of dividends attributable to preferred equity holders.

Diluted EPS is computed by dividing net income attributable to common equity holders by the weighted average number of common shares issued and outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. Calculation of diluted EPS considers the potential ordinary shares of subsidiaries, associates and joint ventures that have dilutive effect on the basic EPS of the Parent Company. The calculation of diluted EPS does not assume conversion, exercise or other issue of potential common shares that would have an antidilutive effect on earnings per share. Basic and diluted EPS are adjusted to give retroactive effect to any stock dividends declared during the period.

Assets Held in Trust

Assets which are owned by MWSS, PGL, TIEZA and CDC but are operated by the MWC Group under the concession agreements are not reflected in the consolidated statement of financial position but are considered as Assets Held in Trust (see Note 37).

Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 29 to the consolidated financial statements.

Contingencies

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



Events after the Reporting Period

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

4. Significant Accounting Judgments, Assumptions and Estimates

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

Judgments

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

Investment in Subsidiaries

The Group determined that it has control over its subsidiaries (see Note 2) by considering, among others, its power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect its returns. The following were also considered:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual agreements
- The Group's voting rights and potential voting rights

Consolidation of entities in which the Group holds only 50% or less than majority of voting rights

ALI Group determined that it controls certain entities even though it owns 50% or less than majority of the voting rights. The factors considered include, among others, the size of its block of voting shares, the relative size and dispersion of holdings of other shareholders, and contractual agreements to direct the relevant activities of the entities.

Investment in Associates

The Group determined that it exercises significant influence over its associates (see Note 12) by considering, among others, its ownership interest (holding 20% or more of the voting power of the investee), board representation and participation on board sub-committees, and other contractual terms.

Classification of joint arrangements

Investment in Joint Ventures

The Group's investments in joint ventures (see Note 12) are structured in separate incorporated entities. Even though the Group holds various percentage of ownership interest on these arrangements, their respective joint arrangement agreements requires unanimous consent from all parties to the agreement for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

Investment in Joint Operation

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



Service concession arrangement

In applying Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, the Group has made a judgment that its concession agreements qualify under the Intangible Asset model as it receives the right (license) to charge users of public service.

On the other hand, the Group has made a judgment that the concession agreement with PGC qualifies under the Financial Asset model as it has an unconditional contractual right to receive cash or other financial assets for its construction services directly from PGC.

The accounting policy on the Group's SCA under the Intangible Asset and Financial model is discussed in Note 3.

Operating lease commitments - Group as lessor

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

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

Operating lease commitments - Group as lessee

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

Finance lease commitments - Group as lessee

Certain subsidiaries have entered into finance lease agreements related to office equipment, machineries and production equipment. They have determined, based on the evaluation of the terms and conditions of the arrangement, that they bear substantially all the risks and rewards incidental to ownership of the said machineries and equipment and so account for the contracts as finance leases.

Classification of property

The Group determines whether a property is classified as investment property or inventory as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential or industrial property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, not for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for



administrative purposes. If these portions cannot be sold separately as of reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Distinction between real estate inventories and land and improvements

The Group determines whether a property will be classified as real estate inventories or land and improvements. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (real estate inventories) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (land and improvements).

Property acquisitions and business combinations

The Group acquires subsidiaries that own real estate properties. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in PAS 40 on ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

Collectibility of the sales price

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

Impairment of AFS equity investments

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

Financial assets not quoted in an active market

The Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Contingencies

The Group is currently involved in various legal proceedings in the ordinary conduct of business. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and external counsel handling the defense in these matters and is based upon an analysis of potential results.

The Group currently does not believe that these proceedings will have a material adverse effect on the Group's financial position and results of operations (see Note 36).



Management's Use of Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revenue and cost recognition

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue from real estate, pipeworks, construction, management contracts and human resource outsourcing services are recognized based on the percentage-of-completion measured principally on the basis of the estimated completion of a physical proportion of the contract work, and by reference to the actual costs incurred to date over the estimated total costs of the project.

Estimating allowance for doubtful accounts

The Group maintains allowance for doubtful accounts based on the results of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Provision for doubtful accounts is determined as the difference between the receivable's carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to group its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Provision for doubtful accounts is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year.

Further details on receivables are provided in Note 7.

Evaluation of net realizable value of inventories and land and improvements

Inventories and land and improvements are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' and land and improvements' estimated selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV. For real estate inventories and land and improvements, the Group adjusts the cost of its real estate inventories and land and improvements to net realizable value based on its assessment of the recoverability of the real estate inventories and land and improvements. In determining the recoverability of the inventories and land and improvements, management considers whether those inventories and land and improvements are damaged or if their selling prices have declined. Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased.

In the event that NRV is lower than the cost, the decline is recognized as an expense. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Further details on inventories and land and improvements are provided in Notes 8 and 11, respectively.

Evaluation of impairment of nonfinancial assets

The Group reviews investments in associates and joint ventures, investment properties, property, plant and equipment, service concession assets and intangible assets for impairment of value.



Impairment for goodwill is assessed at least annually. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group estimates the recoverable amount as the higher of the fair value less costs to sell and value in use. For investments in associates and joint ventures, fair value less costs to sell pertain to quoted prices (listed equities) and to fair values determined using discounted cash flows or other valuation technique such as multiples. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in associates and joint ventures, investment properties, property, plant and equipment, service concession assets and intangible assets.

For goodwill, this requires an estimation of the recoverable amount which is the fair value less costs to sell or value in use of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows for the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of cash flows.

Further details on investments in associates and joint ventures, investment properties, property, plant and equipment, service concession assets and intangible assets are provided in Notes 12, 13, 14, 15 and 16, respectively.

Estimating useful lives of investment properties, property, plant and equipment, and intangible assets

The Group estimated the useful lives of its investment properties, property, plant and equipment and intangible assets with finite useful lives based on the period over which the assets are expected to be available for use. The estimated useful lives of investment properties, property, plant and equipment and intangible assets are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives would increase depreciation and amortization expense and decrease noncurrent assets.

Further details on investment properties, property, plant and equipment and intangible assets are provided in Notes 13, 14 and 16, respectively.

Determining the fair value of investment properties

The Group discloses the fair values of its investment properties. The Group engaged independent valuation specialist to assess fair value as at December 31, 2015 and 2014. The Group's investment properties consist of land and building pertaining to land properties, retail (malls) and office properties. These were valued by reference to market based evidence using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Further details on investment properties assets are provided in Note 13.

Deferred FCDA

Under the concession agreements entered into by the MWC Group with MWSS and TIEZA, MWC and Boracay Island Water Company (BIWC) are entitled to recover (refund) foreign exchange losses (gains) arising from concession loans and any concessionaire loans. MWC and BIWC recognized deferred FCDA (included as part of "Other noncurrent assets" or "Other noncurrent liabilities" in the consolidated statement of financial position) for both realized and unrealized foreign exchange gains and losses. Deferred FCDA is set up as an asset for the realized and



unrealized exchange losses since this is a resource controlled by MWC and BIWC as a result of past events and from which future economic benefits are expected to flow to MWC and BIWC. Realized and unrealized foreign exchange gains, on the other hand, which will be refunded to the customers, are presented as liability.

The deferred FCDA of MWC and BIWC arises from a rate adjustment mechanism for the recovery or compensation on a current basis, subject to quarterly review and adjustment by MWSS or TIEZA, when necessary, of accrued foreign exchange gains and losses, arising from MWSS or TIEZA loans and concession loans used for capital expenditures and concession fee payments.

Further details on deferred FCDA of MWC and BIWC are provided in Note 17.

Deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income.

Further details on deferred tax assets are provided in Note 25.

Recognition and measurement of taxes

The Group has exposure to taxes in numerous jurisdictions. Significant judgment is involved in determining the group-wide provision for taxes including value-added tax, consumption tax and customs duty. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for expected tax issues based on estimates of whether additional taxes are due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact profit and loss in the period in which such determination is made.

Further details on the carrying amount of the Group's income taxes payable are provided in Note 25.

Share-based payments

The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Parent Company and certain subsidiaries.

Further details on the share-based payments recognized by the Group are provided in Note 28.

Defined benefit plans (pension benefits)

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, the Group considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.



Further details about the assumptions used are provided in Note 27.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position or disclosed in the notes to the consolidated financial statements cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility, and correlation. Further details about the fair value of financial instruments are provided in Note 33.

5. Cash and Cash Equivalents

This account consists of the following:

	2015	2014
	(In Thousands)	
Cash on hand and in banks (Note 31)	₱22,290,705	₱22,963,793
Cash equivalents (Note 31)	59,863,837	67,805,732
	₱82,154,542	₱90,769,525

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term rates.

6. Short-term Investments

Short-term investments pertain to money market placements made for varying periods of more than three months but less than one year and earn interest ranging from 0.6% to 3.4% in 2015 and 0.5% to 2.0% in 2014.

7. Accounts and Notes Receivable – net

This account consists of the following:

	2015	2014
	(In Thousands)	
Trade:		
Real estate	₱75,072,869	₱57,898,143
Electronics manufacturing	7,939,887	8,587,953
Water distribution and wastewater services	2,437,166	1,991,179
Automotive	2,313,177	1,496,794
Information technology and BPO	361,713	202,829
International and others	54,577	5,050

(Forward)



	2015	2014
	(In Thousands)	
Advances to other companies	₱15,980,519	₱21,173,727
Advances to contractors and suppliers	15,530,279	10,389,240
Receivable from related parties (Note 31)	3,372,424	2,709,445
Dividend receivable	1,153,466	104
Receivable from officers and employees (Note 31)	1,071,450	731,336
Receivable from Bonifacio Water Corporation (BWC)	529,501	529,501
Investment in bonds classified as loans and receivables	258,000	450,000
Others (Note 31)	263,591	138,202
	126,338,619	106,303,503
Less allowance for doubtful accounts	1,949,332	1,586,541
	124,389,287	104,716,962
Less noncurrent portion	41,793,499	32,006,450
	₱82,595,788	₱72,710,512

The classes of trade receivables of the Group follow:

Real estate

Real estate receivables consist of:

- Residential development - pertain to receivables from the sale of high-end, upper middle-income and affordable residential lots and units, economic and socialized housing units, sale of commercial lots and office units and leisure community developments
- Construction contracts - pertain to receivables from third party construction projects
- Shopping centers - pertain to lease receivables of retail spaces
- Corporate business - pertain to lease receivables of office and factory buildings and receivables from the sale of office buildings and industrial lots
- Management fees and others - pertain to receivables arising from facility management services, hotel operations and other support services

The sales contracts receivable are collectible in monthly installments over a period of one (1) to ten (10) years and bear annual interest rates ranging from 3.00% to 16.00% computed on the diminishing balance of the principal. Titles to real estate properties are not transferred to the buyers until full payment has been made.

Receivables from construction contracts, shopping centers and management fee 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.

Electronics manufacturing

Pertains to receivables arising from manufacturing and other related services for electronic products and components and billings to customers for production and test equipment and all other charges agreed with the customers in carrying out business operations. These are collectible within 30 to 60 days from invoice date.

Water distribution and used water services

Water distribution and used water services receivables arise from water and sewer services rendered to residential, commercial, semi-business and industrial customers of MWC Group and are collectible within 30 days from billing date.

Automotive

Automotive receivables are relating to sale of passenger cars and commercial vehicles and are collectible within 30 to 90 days from date of sale.



Information technology and BPO

Information technology and BPO receivables arise from venture capital for technology businesses; provision of value-added content for wireless services, online business-to-business and business-to-consumer services; electronic commerce; technology infrastructure sales and technology services; and onshore- and offshore-BPO services and are normally collected within 30- to 60- days from invoice date.

International and others

International and other receivables arose from investments in overseas property companies and projects, charter services, agri-business, education and others and are generally on 30- to 60- day terms.

The nature of the Group's other receivables follows:

Advances to other companies

Advances to other companies mainly pertain to ALI's advances to third party joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion. ALI 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. Certain advances are interest bearing and subject to terms as agreed between the parties.

Advances to contractors and suppliers

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

Receivables from BWC

Receivables from BWC pertain to the assigned receivables from the share purchase agreement between MWC and Veolia Water Philippines, Inc. (VWPI) related to the acquisition of VWPI's interest in Clark Water Corporation (CWC) in 2011.

The assigned receivable will be paid by BWC at an amount equal to 30% of the product consumed by all of BWC's customers and the tariff imposed by MWC on its customers falling under the corresponding classification pursuant to the Concession Agreement, and all amounts received by BWC as connection fees from customers, and any fee BWC may charge in relation to the interconnection with the wastewater treatment plant of areas of developments outside the BWC service area.

Investment in bonds classified as loans and receivables

Investment in bonds classified as loans and receivables pertain to ALI's investments in various notes and bonds as follows:

- ₱100.0 million investment in 5.88% unsecured subordinated notes of Land Bank of the Philippines (LBP) due 2022, callable in 2017. In December 2015, LBP issued an irrevocable early redemption notice wherein all of the outstanding notes will be redeemed at issue price on January 27, 2016. As of December 31, 2015, ALI's investment in the notes amounted to ₱52.0 million since ALI sold a portion of the notes at face value soon after the LBP early redemption notice.
- ₱200.0 million investment in 5.75% unsecured subordinated notes of Development Bank of the Philippines due 2022, callable in 2017.
- ₱500.0 million investment in 5.75% collateralized bonds of First Metro Investment Corp. (FMIC) due 2019, callable in 2017. ALI sold ₱350.0 million worth of bonds at carrying value with net gain of ₱6.9 million in 2014 and the remaining balance of ₱150.0 million at a net gain of ₱4.5 million in 2015. As of December 31, 2015, ALI has no outstanding investment in FMIC bonds.



Receivables from officers and employees

Receivable from officers and employees pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction. These are interest bearing ranging from 6.0% to 13.5% per annum and have various maturity dates ranging from 2016 to 2027.

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

Others

Other receivables include accrued interest receivable and other nontrade receivables from non-related entities which are non-interest bearing and are due and demandable. This also includes receivable from the DPWH pertaining to the additional costs incurred by the Parent Company in the construction of the Daang Hari-South Luzon Expressway (SLEX) Link Road arising from the government directive to revise the interconnection design of the road (see Note 15).

As of December 31, 2015 and 2014, nominal amounts of trade receivables from residential and office development, advances to other companies and receivables from employees aggregating ₱87.1 billion and ₱74.6 billion, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using the applicable rates of similar types of instruments.

On March 20, 2014, the long-outstanding receivables of IMI from a customer with an aggregate nominal amount of US\$1.8 million (₱80.5 million) were converted to common shares of the customer. Accordingly, allowance for doubtful accounts on these receivables were reversed.

Movements in the unamortized discount of the Group's receivables as of December 31, 2015 and 2014 follow:

	2015	2014
	(In Thousands)	
Balance at beginning of the year	₱4,767,807	₱4,954,778
Additions during the year	3,893,940	2,215,412
Accretion for the year	(3,792,991)	(2,402,383)
Balance at end of the year	₱4,868,756	₱4,767,807



Movements in the allowance for doubtful accounts follow (in thousands):

2015							
	Real Estate	Electronics	Water Distribution and Wastewater Services	Automotive	Information Technology and BPO Services	Parent Company and Others	Total
At January 1	P611,168	P44,911	P569,744	P24,696	P4,828	P331,194	P1,586,541
Provisions during the year (Note 23)	179,945	20,812	37,984	6,651	5,276	10,398	261,066
Write-offs	(14,701)	(43,225)	-	-	-	(1,001)	(58,927)
Reversals / Adjustments	10,080	-	(29,647)	-	830	179,389	160,652
At December 31	P786,492	P22,498	P578,081	P31,347	P10,934	P519,980	P1,949,332
Individually impaired	373,461	22,498	40,416	15,947	-	178,666	630,988
Collectively impaired	413,031	-	537,665	15,400	10,934	341,314	1,318,344
Total	P786,492	P22,498	578,081	P31,347	P10,934	P519,980	P1,949,332
Gross amount of loans and receivables individually determined to be impaired	P373,461	P22,498	P40,416	P15,947	P-	P178,666	P630,988
2014							
	Real Estate	Electronics	Water Distribution and Used water Services	Automotive	Information Technology and BPO Services	Parent Company and Others	Total
At January 1	P507,507	P96,397	P540,719	P23,542	P7,370	P600,865	P1,776,400
Provisions during the year (Note 23)	136,774	-	29,025	1,154	2,242	13,188	182,383
Write-offs	(33,113)	(13,357)	-	-	-	-	(46,470)
Reversals / Adjustments	-	(38,129)	-	-	(4,784)	(282,859)	(325,772)
At December 31	P611,168	P44,911	P569,744	P24,696	P4,828	P331,194	1,586,541
Individually impaired	297,191	38,760	42,010	13,346	2,358	271,897	665,562
Collectively impaired	313,977	6,151	527,734	11,350	2,470	59,297	920,979
Total	P611,168	P44,911	P569,744	P24,696	P4,828	P331,194	P1,586,541
Gross amount of loans and receivables individually determined to be impaired	P297,191	P38,760	P42,010	P13,346	P2,358	P271,897	P665,562



8. Inventories

This account consists of the following:

	2015	2014
	(In Thousands)	
At cost:		
Condominium, residential and commercial units	₱34,864,516	₱21,937,355
Subdivision land for sale	23,362,680	25,948,283
Vehicles	2,843,639	1,704,711
Finished goods	703,381	769,085
Work-in-process	732,903	594,980
Materials, supplies and others	3,600,111	2,369,019
	66,107,230	53,323,433
At NRV:		
Subdivision land for sale	936,183	524,158
Finished goods	112,479	16,237
Parts and accessories	250,386	199,164
Materials, supplies and others	1,024,630	899,172
	2,323,678	1,638,731
	₱68,430,908	₱54,962,164

A summary of the movement of real estate inventories is set out below.

2015

	Subdivision land for sale	Condominium, residential and commercial units	Total
	(In Thousands)		
Opening balances at January 1	₱26,472,441	₱21,937,355	₱48,409,796
Land acquired during the year	815,568	57,927	873,495
Land cost transferred from land and improvements	1,978,739	5,861,054	7,839,793
Construction / development costs incurred	7,773,816	29,104,893	36,878,709
Disposals (recognized as cost of sales)	(12,596,612)	(21,886,835)	(34,483,447)
Transfers from / to investment properties and other assets	(52,007)	—	(52,007)
Other adjustments/reclassifications	(93,082)	(245,169)	(338,251)
Exchange differences	—	35,291	35,291
	₱24,298,863	₱34,864,516	₱59,163,379

2014

	Subdivision land for sale	Condominium, residential and commercial units	Total
	(In Thousands)		
Opening balances at January 1	₱17,379,089	₱26,920,259	₱44,299,348
Land acquired during the year	7,223,854	1,165,866	8,389,720
Land cost transferred from land and improvements	4,528,267	6,108,313	10,636,580
Construction / development costs incurred	3,581,001	13,612,708	17,193,709
Disposals (recognized as cost of sales)	(6,617,596)	(26,108,603)	(32,726,199)
Transfers from / to investment properties and other assets	301,247	387,164	688,411
Other adjustments/reclassifications	76,579	(157,021)	(80,442)
Exchange differences	—	8,669	8,669
	₱26,472,441	₱21,937,355	₱48,409,796



Inventories recognized as cost of sales amounted to ₱89.5 billion, ₱77.8 billion and ₱66.5 billion in 2015, 2014 and 2013, respectively, and were included under “Costs of sales” in the consolidated statement of income.

The Group recorded provision for inventory obsolescence amounting to ₱76.6 million, ₱149.1 million and ₱105.7 million in 2015, 2014 and 2013, respectively. The provision is included under “General and administrative expenses” in the consolidated statement of income (see Note 23).

9. Other Current Assets

This account consists of the following:

	2015	2014
	(In Thousands)	
Prepaid expenses	₱9,939,954	₱10,882,300
Input VAT	6,302,441	5,768,622
Financial assets at FVPL	5,072,792	10,374,780
Creditable withholding tax	3,729,620	2,231,651
Deposits in escrow	2,096,089	5,332,733
Derivative assets (Notes 32 and 33)	241,263	8,835
Concession financial receivable	209,011	76,914
Others	25,862	480,723
	₱27,617,032	₱35,156,558

Prepaid expenses

Prepaid expenses mainly include prepayments for commissions, marketing fees and promotion, taxes and licenses, rentals and insurance.

Financial Assets at FVPL

TRG Investments

Financial assets at FVPL includes the Group’s investment in The Rohatyn Group (TRG) Allocation LLC and TRG Management LP (collectively TRG investments), which have a combined carrying amount of US\$38.7 million (₱1.8 billion) and US\$37.7 million (₱1.7 billion) as of December 31, 2015 and 2014, respectively.

These investments are accounted for at FVPL. There is no change in management’s intention to hold the investments for trading purpose. It was concluded in the past that there was no appropriate valuation method to value these unquoted investments and reference to equity transactions by external party would be the best approximation to fair value. There were no mark-to-market gains recognized from the TRG investments in 2015, 2014 and 2013.

In the absence of equity transaction at reporting date, the Group uses the last transaction price as the fair value as of reporting date.

In 2015 and 2014, the Group made additional investment in TRG investments amounting to US\$0.9 million and US\$1.6 million, respectively, representing capital call for the year.

As of December 31, 2015 and 2014, the Group’s remaining capital commitment with the TRG Investments amounted to US\$4.7 million and US\$5.7 million, respectively.

In December 2012, the Group amended its partnership agreement for the TRG investments to include a clause on how much the Group will receive (Distributable Amount) in connection with a liquidation of the Partnership or a sale or other disposition of all or substantially all of the assets of



the Partnership that leads to a liquidation of the Partnership of a Sale of Business. The Distributable Amount available to the Group will vary as follows:

- a. if Distributable Amount is less than US\$150 million, the Group and the other strategic partner would be entitled to receive 2 times the original equity interest, and after that, the remaining would be divided on a pro-rata basis among the remaining equity interest holders;
- b. if the Distributable Amount is between US\$150 million and US\$334 million, then the first US\$66.8 million would be divided between the Group and the other strategic partner on a pro-rata basis and after that, the rest would be divided among all the remaining equity interest holders; and,
- c. if the Distributable Amount is above US\$334 million, then the Distributable Amount should be divided among all the equity interest holders, including the Group and the other strategic partner on a pro-rata basis.

Unit Investment Trust Fund (UITF) investments

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

ARCH Fund

In 2007, the private equity fund, called ARCH Capital Asian Partners, L.P. (ARCH Fund I) was established. The ARCH Fund I achieved its final closing, resulting in a total investor commitment of US\$330.0 million in 2007. As of December 31, 2015 and 2014, the carrying amount of the Fund amounted to US\$4.3 million (₱201.9 million) and US\$13.0 million (₱581.4 million), respectively.

On various dates in 2014, the ARCH Fund I made capital calls where the Group's share amounted to US\$2.0 million. In 2015 and 2014, the Fund returned capital amounting to and US\$10.1 million (₱489.4 million) and US\$17.4 million (₱778.1 million), respectively. The proceeds from the return of capital of ARCH Fund 1 came from its real estate project called The Concordia. Phase 1 to 3 of The Concordia was fully sold and hand over of units to buyers have already started.

As of December 31, 2015 and 2014, the Group's remaining capital commitment with the ARCH Fund I amounted to US\$7.0 million (₱329.4 million) and US\$7.0 million (₱313.0 million), respectively.

In 2011, the Group committed to invest US\$50.0 million in ARCH Capital's second real estate fund, ARCH Capital-TRG Asian Partners, L.P. (ARCH Fund II), which had its first closing on June 30, 2011. As of December 31, 2015 and 2014, the carrying amount of the ARCH Fund II amounted to US\$39.9 million (₱1.9 billion) and US\$36.0 million (₱1.6 billion), respectively.

On various dates in 2015 and 2014, ARCH Fund II made capital calls where the Group's share amounted to US\$7.7 million (₱362.4 million) and US\$48.5 million (₱2,168.9 million), respectively. In 2015 and 2014, the ARCH Fund II returned capital amounting to US\$7.7 million (₱362.4 million) and US\$20.0 million (₱894.4 million), respectively.

As of December 31, 2015 and 2014, the Group's remaining capital commitment with the ARCH Fund II amounted to US\$0.6 million (₱28.2 million) and US\$1.5 million (₱67.1 million), respectively.



On July 1, 2014, the Group committed to invest 10% of capital raised, capped at US\$50.0 million in ARCH Capital's third real estate fund, ARCH Capital-TRG Asian Partners III, L.P. (ARCH Fund III). As of December 31, 2015 and 2014, the carrying amount of the investment in the ARCH Fund III amounted to US\$9.3 million (P437.7 million) and US\$5.1 million (P228.1 million), respectively. On various dates in 2015, the ARCH Fund III made capital calls where the Group's share amounted to US\$4.1 million (P192.9 million).

As of December 31, 2015 and 2014, the Group's remaining capital commitment with the ARCH Fund III amounted to US\$20.1 million (P945.9 million) and US\$12.2 million (P545.6 million), respectively.

Net changes in fair value of financial assets at FVPL is included under "Other income" in the consolidated statement of income (see Note 23).

Input VAT

Input VAT is applied against output VAT. The remaining balance is recoverable in future periods.

Deposits in escrow

Deposits in escrow pertain to the proceeds from the sale of ALI Group that have been only granted with a temporary License To Sell (LTS) by the Housing and Land Use Regulatory Board (HLURB). For projects with temporary LTS, all payments, inclusive of down payments, reservation, and monthly amortization, among others, made by the buyer within the selling period shall be deposited in an escrow account.

Creditable withholding tax

The Group will be able to apply the creditable withholding taxes against income tax payable.

Concession financial receivable

Concession financial receivable is accounted for in accordance with IFRIC 12, arising from the bulk water contract between CMWD, a subsidiary of MWC, and Metropolitan Cebu Water District (MCWD) whereby the facilities constructed by CMWD shall be used for the delivery of potable and treated water to MCWD at an aggregate volume of 18,000 cubic meters per day for the first year and 35,000 cubic meters per day for the succeeding years up to 20 years in the amount of P24.59 per cubic meter.

The breakdown of the concession financial receivable is as follows:

	2015	2014
	(In Thousands)	
Current	P209,011	P76,914
Noncurrent	989,073	899,070
	P1,198,084	P975,984

10. Investments in Bonds and Other Securities

This account consists of investments in:

	2015	2014
	(In Thousands)	
AFS financial assets		
Quoted equity investments	P1,635,560	P1,916,799
Unquoted equity investments	1,827,706	1,275,497
	3,463,266	3,192,296
Quoted debt investments	274,550	239,919
	P3,737,816	P3,432,215



Quoted Equity Investments

Quoted equity instruments consist mainly of investments in listed equity securities and golf club shares. It also includes the following quoted equity investments:

Ho Chi Minh City Infrastructure Investment Joint Stock Co. (CII)

The Group, through BHL, has acquired a 10% ownership interest in CII for US\$15.9 million in 2012. CII is listed on the Ho Chi Minh City Stock Exchange and is a leading player in the infrastructure sector in Vietnam. CII has a portfolio of strategic infrastructure assets, including water treatment plants and toll roads serving Ho Chi Minh City and surrounding areas.

The carrying amount of the investment in CII amounted to US\$11.1 million (P522.4 million) and US\$10.9 million (P487.4 million) as of December 31, 2015 and 2014, respectively. In 2013, the Group recognized a provision for probable impairment loss amounting to US\$5.4 million (P228.58 million), including the unrealized loss on this investment amounting to US\$3.3 million as of December 31, 2012, due to the prolonged decline in the value of CII's share price (see Note 23).

Unquoted Equity Investments

Unquoted equity investments include unlisted preferred shares in public utility companies which the Group will continue to carry as part of the infrastructure that it provides for its real estate development projects, water utilities projects, and to its other operations. It also includes the following unquoted equity investments:

TRG Global Opportunity Fund (GOF) and TRG Special Opportunity Fund (SOF)

The GOF is a multi-strategy hedge fund which invests primarily in emerging markets securities. The SOF focuses on less liquid assets in emerging markets (Latin America, Asia, Emerging Europe, Middle East and Africa) such as distressed debt, NPLs, corporate high yield, mid and small cap stocks, real estate (debt and equity) and private equity. In 2013, the Group received a return of capital from SOF amounting to US\$4.1 million (P182.0 million). In 2015 and 2014, the Group received return on capital from TRG SOF and GOF aggregating to US\$0.2 million (P6.9 million) and US\$5.5 million (P246.0 million), respectively (see Note 23). The aggregate carrying amount of GOF and SOF amounted to US\$4.97 million (P233.9 million) and US\$6.54 million (P292.5 million) as of December 31, 2015 and 2014, respectively.

Arbor Venture Fund I L.P. (AVF)

The AVF is a private equity fund which focuses on providing funding for new ventures in the financial technology and services space. The fund has investments in companies providing big data decision making (credit scoring, identity verification), asset management, payments processing, and on-line credit linked to payment processing, HR services, and cloud based accounting. In 2015, AVF made its first capital call where the Group's share amounted to US\$0.5 million (P23.7 million).

As of December 31, 2015 the carrying amount of the investment in AVF amounted to US\$0.5 million (P23.7 million) and the Group's remaining capital commitment amounted to US\$1.5 million (P69.6 million).

Red River Holdings (Red River)

Red River is a fund that seeks to achieve a balanced and diversified portfolio of Vietnamese companies. The carrying amount of the investment in Red River amounted to US\$5.6 million (P263.5 million) and US\$8.5 million (P380.1 million) as of December 31, 2015 and 2014, respectively. In 2015 and 2014, Red River returned capital amounting to US\$3.8 million (P178.8 million) and US\$4.7 million (P210.2 million), respectively.



Glory High

Glory High is a property development company with projects in Macau. The carrying amount of the investment in Glory High amounted to US\$0.6 million as of December 31, 2015 and 2014. The Group has a direct interest of 2.975% in The Concordia through Glory High. Income from investment amounting to US\$10.6 million (P498.8 million) and US\$9.5 million (P424.8 million) was recorded in 2015 and 2014, respectively, arising from distributions from Glory High after settling the shareholder advances in 2014. Proceeds from the distribution received came from the sale of Phase 1 to 3 of The Concordia.

Sares-Regis Multifamily Value-added Fund II LLP (Sares Regis)

Sares Regis is a real estate private equity fund managed by the Sares-Regis group (SRG) based in California, USA. The first capital call of US\$4.7 million was paid on August 6, 2015, and the second capital call of US\$4.8 million was paid on September 10, 2015. As of December 31, 2015, the carrying amount of the investment in Sares Regis amounted to US\$9.5 million (P449.4 million).

Quoted Debt Investments

Quoted debt investments pertain to CII convertible bonds amounting to US\$5.8 million (P274.5 million) in 2015 and US\$6.1 million (P272.8 million) in 2014. The bonds bear interest rate of 12% per annum and will mature 5 years from issue date. The bonds are convertible at the option of the bond holder (see Note 33).

In 2015, BHL recorded a gain on the option component of CII convertible bonds amounting to VND 490.0 billion (P1.0 million).

The net unrealized gain (loss) on AFS financial assets as reflected in the equity section is broken down as follows:

	2015	2014
	(In Thousands)	
Net unrealized gain on AFS financial assets of the Parent Company and subsidiaries	P914,004	P834,185
Share in the net unrealized loss on AFS financial assets of associates and joint ventures	(1,468,301)	(841,396)
	(P554,297)	(P7,211)

The rollforward of unrealized gain (loss) on AFS financial assets of the Parent Company and its consolidated subsidiaries is as follows:

	2015	2014
	(In Thousands)	
At January 1	P834,185	(P421,595)
Changes in fair value recognized in equity	16,309	1,926,410
Recognized in profit and loss	63,510	(670,630)
At December 31	P914,004	P834,185



11. Land and Improvements

The rollforward analysis of this account follows:

	2015	2014
	(In Thousands)	
Cost		
At January	₱80,470,012	₱62,984,927
Additions	22,552,213	28,604,686
Transfers*	(9,311,893)	(11,119,540)
Donation	(108,735)	-
Disposals	(25)	(61)
At December 31	93,601,572	80,470,012
Allowance for decline in value		
At January	510,125	510,125
Provision during the year (Note 23)	196,568	-
At December 31	706,693	510,125
	₱92,894,879	₱79,959,887

*Transfers pertain to land to be developed for sale and included under "Real estate inventories" account.

On November 6, 2015, ALI executed a Deed of Absolute Sale (DOAS) for the acquisition of 95,620 square meter property located along Barangay Talipapa, Novaliches, Quezon City for a purchase price of ₱1.1 billion, net of capital gains tax. The acquisition is pursuant to the Terms of Reference dated March 4, 2015 between ALI and the SEC-appointed Liquidator of Rubberworld Philippines, Inc.

On October 12, 2015, ALI donated 60,000 square meters of real properties to De La Salle Santiago Zobel School which is located in Cavite amounting to ₱108.7 million.

In July 2015, Avida Land Inc., a subsidiary of ALI, entered into a contract with the Parent Company for the purchase of a parcel of land in San Antonio, Makati City for ₱644.1 million inclusive of VAT. Payments were made in two tranches, with the first one in July 2015 amounting to ₱471.6 million and the balance of ₱172.5 million in October 2015.

On June 30, 2015, the SM-ALI Group consortium, participated and won the bidding for Lot No. 8-B-1, containing an area of 263,384 square meters, which is a portion of Cebu City-owned lot located at the South Road Properties, Cebu City. The SM-ALI Group consortium is a consortium among SM Prime Holdings, Inc., ALI and Cebu Holdings, Inc. (a subsidiary of ALI) which will co-develop the property pursuant to a joint master plan.

On November 26, 2014, Alveo Land Corporation (Alveo), a wholly owned subsidiary of ALI, acquired a 6,986 square meter property located in Valero St., Salcedo Village, Makati City for ₱1.6 billion.

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

In 2012, ALI won the public bidding for the purchase of the 74-hectare Food Terminal, Inc. (FTI) property in Taguig City. ALI's bid was ₱24.3 billion. The bid was conducted in accordance with the Asset Specific Bidding Rules dated July 4, 2012 and in accordance with the provisions of Executive Order No. 323.

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



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

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

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

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

ALI Group recorded provision for impairment amounting to ₱196.6 million in 2015.

12. Investments in Associates and Joint Ventures

This account consists of the following:

	2015	2014
	(In Thousands)	
Acquisition cost	₱134,639,923	₱127,252,199
Accumulated equity in earnings	30,518,014	27,186,995
Other comprehensive loss	(2,446,517)	(1,674,340)
	₱162,711,420	₱152,764,854

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

	Percentage of Ownership		Carrying Amounts	
	2015	2014	2015	2014
<i>Domestic:</i>			(In Millions)	
Bank of the Philippine Islands (BPI)	32.6%	32.6%	₱67,769	₱65,811
Liontide Holdings, Inc. (LHI)*				
<i>(formerly Ayala DBS Holdings, Inc.)</i>	73.8	73.8	36,978	35,943
Globe Telecom, Inc. (Globe)*	30.4	30.4	17,759	16,321
GNPower Mariveles Coal Plant Ltd. Co (GNPower)	17.0	17.0	8,203	7,164
Emerging City Holdings, Inc. (ECHI)*	50.0	50.0	4,111	4,113
South Luzon Thermal Energy Corp. (SLTEC)*	50.0	50.0	3,792	3,513
Berkshires Holdings, Inc. (BHI)*	50.0	50.0	1,813	1,815
Cebu District Property Enterprise, Inc. (CDPEI)*	42.0	42.0	1,491	1,492
Light Rail Manila Holdings, Inc. (LRMHI)	50.0	50.0	1,469	563

(Forward)



	Percentage of Ownership		Carrying Amounts	
	2015	2014	2015	2014
Bonifacio Land Corporation (BLC)	10.0%	10.0%	₱1,353	₱1,356
Asiacom Philippines, Inc. (Asiacom)*	60.0	60.0	1,191	1,142
Philippine Wind Holdings Corporation (PWHC)*	42.9	75.0	1,016	4,218
Rize-Ayalaland (Kingsway) GP Inc. (Rize-Ayalaland)	49.0	49.0	673	697
Alveo-Federal Land Communities, Inc.*	50.0	—	572	—
Northwind Power Development Corp.* (Note 24)	50.0	50.0	496	324
Generika Group*	50.0	—	425	—
Mercado General Hospital, Inc. (MGHI)	33.0	33.0	373	422
Automated Fare Collections Services, Inc. (AFCSI)	10.0	10.0	187	144
<i>Foreign:</i>				
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	49.0	49.0	2,402	2,258
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	47.4	47.4	2,202	2,018
Modular Construction Technology (MCT) Bhd. (incorporated in Malaysia)	32.9	—	5,999	—
Integreon, Inc. (Integreon) (British Virgin Islands Company)*	58.7	58.7	144	961
VinaPhil Technical Infrastructure Investment Joint Stock Company (VinaPhil) (incorporated in Vietnam)*	49.0	49.0	535	723
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	31.5	31.5	793	686
Cu Chi Water Supply Sewerage Company Ltd. (Cu Chi Water) (incorporated in Vietnam)	24.5	—	326	—
Tianjin Eco-City Ayala Land Development Co., Ltd. (incorporated in China)	40.0	40.0	289	484
Others	Various	Various	350	597
			₱162,711	₱152,765

*Joint ventures

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's investments in associates and joint ventures is the Philippines.

Except as discussed in subsequent notes, the voting rights held by the Group in its investments in associates and joint ventures are in proportion to their ownership interest.

Financial information on significant associates follows:

BPI	2015	2014
	(In Millions, except earnings per share)	
Total resources	₱1,516,356	₱1,450,197
Total liabilities	1,363,626	1,303,518
Net interest income and other income	60,059	55,787
Total expenses	40,984	37,725
Net income	18,375	18,062
Other comprehensive income	(1,616)	(45)
Total comprehensive income	16,759	18,017
Net income attributable to:		
Equity holders of the bank	18,234	18,039
Non-controlling interests	141	23
Earnings per share:		
Basic and diluted	4.64	4.62
Dividends received from BPI	3,239	1,153



TDW	2015	2014
	(In Millions)	
Current assets	₱151	₱102
Noncurrent assets	2,670	2,559
Current liabilities	381	400
Noncurrent liabilities	476	261
Revenue	742	770
Net income	439	444
Dividends received from TDW	—	—

The conversion rate used was ₱0.0021 to VND1 as of December 31, 2015 and 2014.

KDW	2015	2014
	(In Millions)	
Current assets	₱738	₱655
Noncurrent assets	2,497	2,595
Current liabilities	230	346
Noncurrent liabilities	1,798	1,510
Revenue	436	465
Net income	251	236

The conversion rate used was ₱0.0021 to VND1 as of December 31, 2015 and 2014.

BLC	2015	2014
	(In Millions)	
Current assets	₱15,084	₱24,748
Noncurrent assets	30,377	20,183
Current liabilities	3,629	4,786
Noncurrent liabilities	7,888	4,903
Revenue	3,640	9,187
Cost and expenses	(2,294)	(5,819)
Net income	1,346	3,368

MCT	2015
	(In Millions)
Current assets	₱8.40
Noncurrent assets	6.38
Current liabilities	4.40
Noncurrent liabilities	2.13
Revenue	12.56
Cost and expenses	(11.50)
Net income	1.06

Financial information on significant joint ventures (amounts in millions, except earnings per share figures) follows:

Globe	2015	2014
Current assets, including cash and cash equivalents amounting to ₱11.8 billion in 2015 and ₱16.8 billion in 2014	₱47,072	₱46,742
Noncurrent assets	148,607	132,765
Current liabilities including financial liabilities* amounting to ₱8.0 billion in 2015 and ₱6.1 billion in 2014	65,530	60,350
Noncurrent liabilities, including financial liabilities* amounting to ₱64.3 billion in 2015 and ₱59.1 billion in 2014	70,752	64,619
(Forward)		



Globe	2015	2014
Revenue	₱119,969	₱103,236
Interest income	519	683
Costs and expenses		
Depreciation and amortization	21,133	18,123
Interest expense	3,373	2,566
Provision for income tax	6,983	6,011
Net income	16,484	13,372
Other comprehensive loss	(234)	(238)
Total comprehensive income	16,251	13,134
Earnings per share:		
Basic	120.11	100.60
Diluted	119.92	100.36
Dividends received from Globe	3,349	3,025
<i>*excluding trade and other payables and provisions</i>		
LHI	2015	2014
Current assets, including cash and cash equivalents amounting to ₱5.9 million in 2015 and ₱757.0 million in 2014	₱760	₱758
Noncurrent assets	31,894	30,528
Current liabilities including financial liabilities* amounting to ₱8.0 billion in 2015 and ₱6.1 billion in 2014	1	5
Noncurrent liabilities, including financial liabilities* amounting to ₱64.3 billion in 2015 and ₱59.1 billion in 2014		
Revenue	3,554	3,828
Interest income	18	3
Costs and expenses		
Provision for income tax	6	1
Net income	3,569	3,831
Other comprehensive loss	(257)	(13)
Total comprehensive income	3,312	3,818
Dividends received from LHI	1,670	3,025

In addition to the interest in associates and joint ventures discussed above, the Group also has interest in a number of individually immaterial associates and joint ventures. Below is a summary of certain financial information concerning these immaterial associates and joint ventures:

	2015	2014
	(In Millions)	
Carrying amount	₱28,249	₱29,058
Equity in net earnings	1,076	545
Share in other comprehensive income	(480)	188

As of December 31, 2015 and 2014, the Group had total commitments relating to the Group's interests in its associates and joint ventures amounting to ₱7,885.1 million and ₱11,050.0 million, respectively (see Note 35).

As of December 31, 2015 and 2014, the Group has not incurred any contingent liabilities in relation to its investments in associates and joint ventures.

On certain investments in associates and joint ventures, the Group entered into shareholders' agreements with fellow shareholders. Such shareholders' agreements include, among others, restriction as to declaration and payment of dividends, incurrence of debt and transactions with related parties.

The following significant transactions affected the Group's investments in associates and joint ventures:



Investment in BPI

In October 2012, the Parent Company entered into an agreement with DBS Bank, Ltd. (DBS) to Acquire the 8.69% ownership interest of DBS in BPI, equivalent to 309.3 million outstanding common shares, for a total consideration of ₱21.6 billion. As of December 31, 2015 and 2014, outstanding payable to DBS in relation to the transaction amounted to ₱3.3 billion (see Note 18).

On November 6, 2013, the BOD of BPI approved the offering for subscription of up to 370 million common shares of BPI by way of a stock rights offering to eligible registered holders of common shares as of January 16, 2014 at the entitlement ratio of 1 rights share for every 9.602 existing common shares held by such eligible shareholders. On January 20, 2014, the offer period for the stock rights offering of BPI started at an offer price of ₱67.5 per rights share. The Parent Company, MHI and LHI participated in the stock rights offering by subscribing to 114.4 million, 7.7 million and 79.8 million common shares, respectively, amounting to ₱7.7 billion, ₱0.5 billion and ₱5.4 billion, respectively. The Parent Company's share in the subscription of LHI was ₱3.98 billion representing 58.9 million common shares.

The fair value of the BPI shares held by the Group amounted to ₱100.2 billion and ₱112.8 billion as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the notional goodwill resulting from the difference between the share in the net assets in BPI and its carrying value amounted to ₱19.9 billion.

Investment in LHI

In December 2013, DBS divested its 46.5% remaining ownership interest in LHI of which the Parent Company acquired 20.3%. Arran Investment Pte. Ltd., an entity managed and controlled by GIC Special Investments Pte. Ltd. (GICSI) acquired the remaining interest of 26.2% and replaced DBS as the new joint venture partner of the Parent Company in LHI. The total consideration paid by the Parent Company for the additional 37.6 million LHI Class B common shares amounted to ₱13.2 billion (see Note 18).

In January 2014, the Parent Company infused additional capital to LHI in the form of subscriptions which amounted to ₱4.0 billion. The proceeds was used for LHI's participation in the stock rights offering of BPI by subscribing to 79.8 million common shares amounting to ₱5.4 billion.

As of December 31, 2015 and 2014, LHI owns 837.6 million common shares of BPI representing a direct ownership interest in BPI of 21.3%. The Parent Company and GICSI, as joint venture partners, agreed to vote their BPI shares based on the common position reached jointly by them as shareholders.

The fair value of BPI shares held by LHI amounted to ₱70.2 billion and ₱78.7 billion as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the notional goodwill resulting from the difference between the share in the net assets in LHI and its carrying value amounted to ₱10.1 billion.

Investment in Globe

On August 8, 2014, the SEC approved Globe's offering of 20.0 million non-voting perpetual preferred shares with an aggregate issue size of ₱7.0 billion with an oversubscription option of up to ₱3.0 billion. On August 15, 2014, the 20.0 billion shares were fully subscribed and issued. Dividends on this preferred shares is at fixed 5.2006% per annum calculated in respect to each preferred share in relation to the offer price of ₱500 per share, redeemable by Globe on the 7th year.

The fair value of Globe shares held by the Parent Company amounted to ₱74.7 billion and ₱69.4 billion as of December 31, 2015 and 2014, respectively.



As of December 31, 2015 and 2014, the notional goodwill resulting from the difference of the share in the net assets in Globe and its carrying value amounted to ₱2.9 billion.

The Parent Company also holds 60% ownership interest in Asiacom, which owns 158.5 million Globe preferred shares and 460.0 million AC preferred shares as of December 31, 2015 and 2014. The Parent Company does not exercise control over Asiacom and Globe since it is a joint venture with Singapore Telecommunications Limited (SingTel).

Investment in GNPower

On May 30, 2014 ACEHI through its wholly owned subsidiary, ACE Mariveles Power Ltd. Co (AMPLC), signed a sale and purchase agreement with Arlington Mariveles Netherlands Holding B.V. (AMNHB) to purchase the 17.02% limited partnership interest and 0.08% General Partnership interest in GN Power Mariveles Coal Plant Ltd. Co. (GMCP) for a consideration amounting to US\$163.9 million (₱7.2 billion).

On June 17, 2014, AMPLC and AMNHB closed the acquisition of the GMCP interests and entered into Deeds of Assignment to assign the GMCP Interests to the AMPLC, subject to fulfillment of certain post-closing conditions as required by the GMCP financing agreements.

Investment in PWHC

On July 12, 2013, ACEHI, through PWHC, signed an Investment Framework Agreement and Shareholders' Agreement with UPC Philippines Wind Holdco I B.V. (UPC), a wholly-owned company of UPC Renewable Partners and the Philippine Investment Alliance for Infrastructure fund (PINAI), comprised of the Government Service Insurance System, Langoer Investments Holding B.V. and Macquarie Infrastructure Holdings (Philippines) Pte. Limited, to develop wind power projects in Ilocos Norte through North Luzon Renewable Energy Corp. (NLREC) as their joint venture company. An initial equity investment has been agreed for the first 81 Megawatt (MW) project with an investment value of approximately US\$220 million with ACEHI funding 64% of equity, PINAI 32% and UPC 4%.

The 81MW wind power project received a declaration of commerciality on June 17, 2013 from the Department of Energy (DOE). Accordingly, NLREC has signed the Turbine Supply, Installation and Service Availability Agreements with Siemens Wind Power A/S and Siemens Inc. and has issued the Notice to Proceed.

In 2014, the DOE issued a Certificate of Endorsement for FIT for the wind power project after it was commissioned and started commercial operations (see Note 38).

On April 13, 2015, the wind power project received their Feed-in-Tariff Certificate of Compliance (FIT COC) from the Energy Regulatory Commission (ERC). This entitled the wind power project to a feed-in-tariff (FIT) of ₱8.53 per kilowatt hour for a period of 20 years from November 11, 2014 to November 10, 2034.

In various dates in 2015, PWHC redeemed its outstanding preferred shares from ACEHI and Luzon Wind Energy Holdings B.V. (Luzon Wind), a wholly-owned subsidiary of BHL through Ayala International Holdings, Ltd. (AIHL), at par for a total redemption price of ₱1.5 billion and ₱1.1 billion, respectively.

On September 2, 2015, ACEHI sold 172,419 PWHC common shares to Luzon Wind for a total selling price of US\$44.1 million. Subsequent to the transaction, AIHL sold its investment in Luzon Wind to Diamond Generating Asia, Limited (DGA) for US\$58.3 million. The transaction resulted to a recognition of a net gain on sale of investments amounting to ₱1.5 billion (see Note 23). Following the transaction, ACEHI's ownership interest in PWHC decreased from 75% to 42.9%.

As of December 31, 2015 and 2014, ACEHI's total capital commitment on its investments in PWHC amounted to ₱299.0 million and ₱402.0 million, respectively.



Investment in ECHI, BHI and BLC

ALI's 5.32% direct investment in BLC and 4.78% through Regent are accounted for using the equity method because ALI has significant influence over BLC.

On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among ALI, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among ALI, EHI and Neo Oracle Holdings, Inc. ([formerly Metro Pacific Corporation (MPC)] as amended:

- (a) The assignment to ALI and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US\$90.0 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.38% of the outstanding shares in BLC. The consideration paid by ALI and EHI for such assignment was approximately US\$90 million, subject in part to foreign exchange adjustment.
- (b) The assignment to ALI and EHI [acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus)] of the controlling interests in BLC representing 50.38% of BLC's outstanding capital stock. The assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.55% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5% BLC shares shall continue to subsist until the third anniversary of the closing date.

ALI and EHI jointly hold the 50.38% equity interest in BLC through ECHI and BHI. ALI and EHI assigned the notes receivable from MPC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.38% interest in BLC. BLC owns 55% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development.

Columbus accounted for the acquisition of the 50.38% interest in BLC using the purchase method, resulting in a negative goodwill of ₱1.4 billion.

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

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

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

Investment in SLTEC

On June 29, 2011, ACEHI entered into a 50-50 joint venture with Trans-Asia Oil and Energy Development Corporation to incorporate SLTEC which will undertake the construction and operation of a 135 MW power plant in Calaca, Batangas. The power plant will employ the environment-friendly Circulating Fluidized Bed boiler technology. The construction officially commenced in December 2011 for its first of two units, Units 1 and 2, coal power plant both with a



generating capacity of 135MW each. SLTEC will operate as a base load plant to serve the anticipated demand for power in the Luzon grid. On April 24, 2015 Unit 1 has achieved Commercial Operations Date (COD). Upon COD, Trans-Asia will purchase all of the generated output of SLTEC through a 15-year power purchase agreement. As of December 31, 2015, Unit 2 is 99.97% complete and undergoing testing and commissioning phase and is expected to be operational by the 1st quarter of 2016.

As of December 31, 2015 and 2014, ACEHI's total capital commitment on its investment in SLTEC amounted to ₱105.0 million.

Investment in CDPEI

CDPEI was incorporated on February 20, 2014 and is a 50-50 joint venture between ALI and Aboitiz Land, Inc. CDPEI's main purpose is to create a mixed-use commercial and residential district with the 15.4 hectare property in Subangdaku, Mandaue. On April 11, 2014, ALI assigned 10% and 5% of its equity interest in CDPEI to Cebu Holdings, Inc. (CHI) and Cebu Property Ventures Development Corporation (CPVDC), respectively. CHI and CPVDC are subsidiaries of ALI.

Investment in Rize-Ayalaland

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

Investment in MCT

On April 6, 2015, ALI, through its wholly-owned subsidiary, Regent Wise Investments Limited (Regent Wise), acquired 9.16% of the shares of MCT through a private placement for a total amount of US\$43 million (₱1.9 billion). MCT is a property development company specializing in mixed-use projects which include retail, offices, hotels, and mid-to-affordable residences.

On May 12, 2015, Regent Wise entered into call option agreements with the founders and majority shareholders of MCT that will give ALI the opportunity to increase its shareholdings in MCT up to a maximum of 32.95%. The call options are exercisable for one month beginning October 7, 2015.

On October 15, 2015, Regent Wise exercised its option to acquire additional shares of MCT for a total consideration of US\$92 million. The transaction increased the ownership interest in MCT from 9.16% to 32.95%.

Investment in MGHI

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

Investment in AFPI

AFPI was incorporated on February 10, 2014 and is engaged in the design, construction, installation and operation and maintenance of a contactless automated fare collection system for public utility transport facilities. AC Infra owns 10% of the total shares and voting interest of AFPI.

AFPI is the project company that will develop and operate the ₱1.72 billion contactless Automated Fare Collection Systems (AFCS) project awarded by the Department of Transportation and Communications (DOTC) to the AF consortium last January 30, 2014. On March 31, 2014, the Concession and Accession Agreements were signed and executed.

As of December 31, 2015 and 2014, AC Infra's total equity investment commitment for the project amounted to ₱500.0 million.



Investment in Light Rail Manila Holdings, Inc. (LRMHI)

LRMHI was incorporated on June 23, 2014, as a holding company for the LRT 1 Cavite extension project. LRMHI holds 70% of the total equity of Light Rail Manila Corporation (LRMC), the project company established for the construction, operation and maintenance of the LRT 1 Cavite extension project. AC Infra owns 50% of the shares of LRMHI that ultimately resulted to a 35% interest in LRMC.

As of December 31, 2015 and 2014, AC Infra's total equity investment commitment for the LRT 1 project amounted to ₱6.6 billion and ₱8.5 billion, respectively.

Investment in Light Rail Manila Corporation (LRMC)

On September 12, 2015, Light Rail Manila Corporation (LRMC), the concessionaire for the operations, maintenance and extension of LRT1, took over the operations and maintenance of the LRT Line 1 from the Light Rail Transit Authority and DOTC.

As of December 31, 2015 and 2014, LRMHI's total equity investment commitment amounted to ₱875.0 million and ₱567.5 million, respectively.

Thu Duc Water B.O.O. Corporation (TDW)

On October 12, 2011, Thu Duc Water Holdings Pte. Ltd. (TDWH) (a subsidiary of MWC) and CII entered into a share sale and purchase agreement whereby CII sold to TDWH its 49% interest (2.45 million common shares) in TDW. On December 8, 2011, TDWH completed the acquisition of CII's interest in the common shares of TDW after which TDWH obtained significant influence in TDW.

The acquisition cost of the investment amounted to ₱1.8 billion (VND858.0 billion). The investment in TDW include notional goodwill amounting to ₱1.4 billion.

Kenh Dong Water Supply Joint Stock Company (KDW)

On May 17, 2012, Kenh Dong Water Holdings Pte. Ltd. (KDWH), a subsidiary of MWC, entered into a Share Purchase Agreement with CII for the purchase of 47.35% of CII's interest in KDW. The payment for the shares will be done in two tranches, with additional contingent considerations subject to the fulfillment of certain conditions precedent for a total purchase price of ₱1.7 billion.

The consideration paid by MWC for its investment in KDW amounted to ₱1.6 billion (VND785.2 billion). Contingent consideration included in the purchase price allocation amounted to ₱95.9 million (VND44.5 billion). The share purchase transaction was completed on July 20, 2012 and KDWH obtained significant influence in KDW.

In 2013, KDW finalized its purchase price allocation which resulted in a notional goodwill amounting to ₱1.4 billion. MWC also received ₱62.9 million from KDWH as indemnification for the damages resulting from the delay in operations.

On December 31, 2015, KDWH reversed its previously recognized contingent liability amounting to ₱96.0 million (VND44.49 billion).

Investment in VinaPhil

CII and the Group have entered into an agreement to jointly invest in VinaPhil Technical Infrastructure Investment Joint Stock Company ("VinaPhil"), a corporation established under Vietnamese law to invest in infrastructure projects in Vietnam. VinaPhil is 49%-owned by the Group with the remainder owned by CII and other Vietnamese investors. VinaPhil has an initial charter capital of VND900 billion (US\$43 million).

In 2014, the Group, together with CII and other Vietnamese investors, proportionately acquired additional shares in VinaPhil wherein the Group's shares amounted to VND15.4 billion (US\$0.7 million). The additional investment did not alter the ownership structure of VinaPhil. VinaPhil holds 9% interest in CII as of December 31, 2014.



In 2015, VinaPhil bought back shares proportionately to each shareholder wherein the Group's share amounted to VND15.3 billion (US\$32.1 million). The share buy back did not alter the ownership structure of VinaPhil.

Saigon Water Infrastructure Joint Stock Company (SWI)

On October 8, 2013, Manila Water South Asia Holdings Pte. Ltd (MWSAH) (a subsidiary of MWC) entered into an Investment Agreement with SWI to acquire a 31.47% ownership interest. The acquisition cost of the investment amounted to ₱642.8 million (VND310.5 billion). The share subscription transaction was completed on October 8, 2013 and MWSAH obtained significant influence in SWI.

The investment in SWI includes notional goodwill amounting to ₱288.8 million as of December 31, 2015 and 2014. There were no adjustments made to the fair values of the net assets as of acquisition date.

Cu Chi Water Supply Sewerage Company Ltd. (Cu Chi Water)

On October 10, 2015, MWSAH executed a Capital Transfer Agreement with SWI for the acquisition of 24.5% of the charter of Cu Chi Water in the amount of ₱318.2 million (VND154.4 billion).

Tianjin Eco-City Ayala Land Development Co., Ltd.

Regent Wise, a wholly-owned subsidiary of ALI, signed an Equity Joint Venture Agreement with Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd for the development of a 9.78 hectare residential project in China. The project is located in Tianjin Eco-City, a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase future direction of urban planning and sustainable development.

Generika Group of Companies

On July 15, 2015, AHCHI acquired a 50% ownership interest in the Generika Companies namely Actimed, Inc., Erikagen, Inc., Novelis Solutions, Inc., and Pharm Gen Ventures Corporation for a total consideration of ₱400.0 million.

APEC Schools

In 2014, AEI entered into a joint venture agreement with UK-based Pearson Affordable Learning Fund Limited (PAFL), an affiliate of Pearson PLC, the world's leading learning company, to roll out a chain of affordable private high schools under Affordable Private Education Center Inc. (APEC Schools). AEI owns 60% of APEC Schools and Pearson owns the balance of 40% share.

In December 2015, APEC made a capital call of US\$5.0 million where AEI's share amounted to US\$3.0 million. As of December 31, 2015, the additional capital infusion has not yet been made.

Others

BPI Globe BankO (BankO)

On August 27, 2015, the Parent Company, Globe and BPI agreed to turn over full ownership of BankO to BPI. The transaction is still pending approval by the BSP as of December 31, 2015. In accordance with the requirement of PFRS 5, the carrying amount of the investment in BankO amounting to ₱20.7 million as of December 31, 2015 is considered as Noncurrent and Held for Sale and included as part of "Other Current Assets" (see Note 9). Accordingly, the Parent Company wrote down its investment in BankO.

The rollforward of accumulated equity in net earnings follow:

	2015	2014
Balance at beginning of year	₱27,186,995	₱24,403,130
Equity in net earnings during the year	15,038,015	13,185,147
Dividend income	(11,706,996)	(10,401,282)
Balance at end of year	₱30,518,014	₱27,186,995



13. Investment Properties

The movements in investment properties follow:

2015

	Land	Building	Construction- in-Progress	Total
	(In Thousands)			
Cost				
Balance at beginning of the year	₱11,642,833	₱71,932,682	₱5,936,778	₱89,512,293
Additions	2,130,718	6,330,850	6,267,913	14,729,481
Additions through business combination (see Note 24)	—	1,584,929	—	1,584,929
Transfers	(601,114)	2,460,708	(2,350,288)	(490,694)
Disposals	(566)	(910,067)	—	(910,633)
Balance at end of the year	13,171,871	81,399,102	9,854,403	104,425,376
Accumulated depreciation and amortization and impairment loss				
Balance at beginning of the year	26,616	18,161,432	—	18,188,048
Depreciation and amortization (Note 23)	—	2,790,383	—	2,790,383
Transfer	—	40,511	—	40,511
Disposals	—	(263,058)	—	(263,058)
Balance at end of the year	26,616	20,729,268	—	20,755,884
Net book value	₱13,145,255	₱60,669,834	₱9,854,403	₱83,669,492

2014

	Land	Building	Construction- in-Progress	Total
	(In Thousands)			
Cost				
Balance at beginning of the year	₱10,775,471	₱63,591,094	₱4,118,138	₱78,484,703
Additions	1,752,477	3,862,165	7,470,659	13,085,301
Transfers	(880,194)	5,224,265	(5,139,747)	(795,676)
Disposals	(4,921)	(744,842)	(512,272)	(1,262,035)
Balance at end of the year	11,642,833	71,932,682	5,936,778	89,512,293
Accumulated depreciation and amortization and impairment loss				
Balance at beginning of the year	26,616	15,300,864	—	15,327,480
Depreciation and amortization (Note 23)	—	2,878,035	—	2,878,035
Transfer	—	9,336	—	9,336
Disposals	—	(26,803)	—	(26,803)
Balance at end of the year	26,616	18,161,432	—	18,188,048
Net book value	₱11,616,217	₱53,771,250	₱5,936,778	₱71,324,245

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its own use and benefit.

The aggregate fair value of the Group's investment properties amounted to ₱253.2 billion in 2015 and ₱234.5 billion in 2014. The fair values of the investment properties were arrived at using the Market Data Approach and Cost Approach for land and building, respectively, and were determined by independent professionally qualified appraisers.

Under the Market Data Approach, the value of the land is based on sales and listing of comparable property registered within the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.



The Cost Approach is a comparative approach to the value of the building and improvements or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction cost (new) of the subject property or asset, less total (accrued) depreciation, plus the value of the land to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (such as buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

Interest capitalized amounted to ₱39.2 million, ₱76.1 million and ₱113.5 million and in 2015, 2014 and 2013, respectively. The capitalization rates are 4.75-5.32%, 5.49% and 0.5%-8.2% in 2015, 2014 and 2013, respectively.

Consolidated rental income from investment properties amounted to ₱18.9 billion in 2015, ₱16.4 billion in 2014 and ₱13.3 billion in 2013. Consolidated direct operating expenses arising from the investment properties amounted to ₱5.3 billion in 2015, ₱4.1 billion in 2014 and ₱3.3 billion in 2013, respectively.

Depreciation and amortization expense pertaining to investment properties amounted to ₱2.8 billion, ₱2.9 billion and ₱2.5 billion in 2015, 2014 and 2013, respectively (see Note 23).

14. Property, Plant and Equipment

The movements in property, plant and equipment follow:

	2015						
	Land, Buildings and Improvements (Note 19)	Machinery and Equipment	Hotel Property and Equipment (Note 19)	Furniture, Fixtures and Equipment	Transportation Equipment	Construction- in-Progress	Total
	(In Thousands)						
Cost							
At January 1	₱10,372,729	₱12,917,226	₱14,514,266	₱6,244,456	₱2,849,707	₱910,009	₱47,808,393
Additions	2,787,802	3,935,839	754,989	1,734,637	418,472	5,674,266	15,306,005
Additions through business combination (Note 24)	812,518	–	–	23,542	721,411	5,740	1,563,211
Disposals	(75,102)	(806,666)	(2,045)	(216,461)	(330,803)	(5,928)	(1,437,005)
Transfers	(808,602)	(54,892)	667	(54,555)	(6,751)	(29,150)	(953,283)
Exchange differences	118,246	111,948	–	25,848	392	(8,775)	247,659
At December 31	13,207,591	16,103,455	15,267,877	7,757,467	3,652,428	6,546,162	62,534,980
Accumulated depreciation and amortization and impairment loss							
At January 1	3,895,755	6,447,774	3,253,737	4,868,847	1,389,135	–	19,855,248
Depreciation and amortization for the year (Note 23)	741,715	1,743,123	522,673	790,986	341,318	–	4,139,815
Impairment loss	–	–	–	–	–	88,753	88,753
Disposals	(69,052)	(760,021)	(801)	(169,340)	(275,745)	–	(1,274,959)
Exchange differences	77,172	39,887	–	23,884	(3,273)	–	137,670
Transfers	–	–	(57,385)	1,349	–	–	(56,036)
At December 31	4,645,590	7,470,763	3,718,224	5,515,726	1,451,435	88,753	22,890,491
Net book value	₱8,562,001	₱8,632,692	₱11,549,653	₱2,241,741	₱2,200,993	₱6,457,409	₱39,644,489



	2014						
	Land, Buildings and Improvements (Note 19)	Machinery and Equipment	Hotel Property and Equipment (Note 19)	Furniture, Fixtures and Equipment	Transportation Equipment	Construction- in-Progress	Total
	(In Thousands)						
Cost							
At January 1	₱9,601,612	₱12,151,848	₱13,695,918	₱5,873,788	₱2,727,877	₱683,782	₱44,734,825
Additions	1,275,250	2,668,427	818,371	945,498	585,989	474,606	6,768,141
Additions through business combination (Note 24)	22,357	-	-	-	-	-	22,357
Disposals	(428,545)	(1,729,153)	(8)	(560,045)	(410,411)	(6,561)	(3,134,723)
Transfers	(56,464)	70,767	(15)	(45,696)	(50,963)	(228,408)	(310,779)
Exchange differences	(41,481)	(244,663)	-	30,911	(2,785)	(13,410)	(271,428)
At December 31	10,372,729	12,917,226	14,514,266	6,244,456	2,849,707	910,009	47,808,393
Accumulated depreciation and amortization and impairment loss							
At January 1	3,573,075	6,503,803	2,749,520	4,536,675	1,488,283	-	18,851,356
Depreciation and amortization for the year (Note 23)	616,999	980,800	504,217	724,776	248,050	-	3,074,842
Disposals	(308,118)	(861,284)	-	(403,387)	(346,797)	-	(1,919,586)
Exchange differences	13,799	(175,545)	-	10,783	(401)	-	(151,364)
At December 31	3,895,755	6,447,774	3,253,737	4,868,847	1,389,135	-	19,855,248
Net book value	₱6,476,974	₱6,469,452	₱11,260,529	₱1,375,609	₱1,460,572	₱910,009	₱27,953,145

Consolidated depreciation and amortization expense on property, plant and equipment amounted to ₱4.1 billion in 2015, ₱3.1 billion in 2014 and ₱3.0 billion in 2013 (see Note 23).

The carrying values of the Group's equipment under finance lease amounted to nil and US\$4.5 million (₱199.4 million) as of December 31, 2015 and 2014, respectively (see Note 30).

On August 27, 2014, IMI Group entered into an agreement relating to the sale and leaseback of a light industrial building located in Singapore with DBS Trustee Limited [in its capacity as trustee of Soilbuild Business Space REIT (SBSR)] for a purchase consideration of SGD22.4 million (US\$ 17.2 million), subject to the fulfillment of certain conditions precedent. The cost of the property amounted to US\$4.7 million with accumulated depreciation of US\$2.05 million.

On December 23, 2014, the transaction was completed and IMI Group recognized a gain on sale of the property amounting to US\$14.3 million (₱651.2 million) (see Note 23). Expenses related to the sale amounted to US\$0.2 million (₱8.9 million).

As of December 31, 2015 and 2014, the carrying value of IMI Group's pledged equipment with BNP Paribas amounted to US\$1.4 million (₱65.9 million) and US\$1.6 million (₱69.3 million), respectively.

On May 15, 2014, ACEHI through its joint venture, GNPowr Kauswagan Ltd. Co. (GNPK), entered into an Engineering, Design and Procurement Agreement, Construction and Supply Agreement and Coordination Agreement with Shanghai Electric Power Construction Co. Ltd. (see Note 35).

15. Service Concession Assets and Obligations

Service Concession Assets

The movements in this account follow:

	2015	2014
	(In Thousands)	
Cost		
At January 1	₱96,337,398	₱92,222,739
Additions during the year		
Construction and rehabilitation works	5,905,881	4,111,135
Transfers	1,100,467	-
(Forward)		



	2015	2014
	(In Thousands)	
Adjustments	₱154,845	₱-
Local component cost	1,249	3,524
At December 31	103,499,840	96,337,398
Accumulated amortization		
At January 1	21,500,765	18,468,332
Amortization (Note 23)	3,170,235	3,032,433
At December 31	24,671,000	21,500,765
Net book value	₱78,828,840	₱74,836,633

SCA consists of the present value of total estimated concession fee payments, including regulatory costs and local component costs, pursuant to the Group's concession agreements and the revenue from rehabilitation works which is equivalent to the related cost for the rehabilitation works covered by the service concession arrangements.

The Parent Company has a concession agreement with the DPWH while the MWC Group has concession agreements with MWSS, PGL, TIEZA and CDC. These concession agreements set forth the rights and obligations of the Parent Company and MWC Group throughout the concession period (see Note 35).

Total interest and other borrowing costs capitalized as part of SCA amounted to ₱513.2 million and ₱377.7 million in 2015 and 2014, respectively. The capitalization rates used range from 6.24% to 8.10% in 2015 and 7.01% to 8.78% in 2014.

Variation Order

On February 25, 2013, the DPWH sent a variation notice to the Parent Company to revise the interconnection of the Muntinlupa-Cavite Expressway (MCX) in order to accommodate the construction of a fifth lane for both directions at the Filinvest to Susana Heights section of the South Luzon Expressway (SLEX). Such proposal was made in accordance with the Concession Agreement which provides that in the event the DPWH initiates a variation, the Parent Company as concessionaires, shall prepare a proposal setting out the necessary details and additional cost estimates.

On April 10, 2014, the Parent Company submitted a variation proposal to the DPWH and sought for approval of (1) Direct payment of the construction cost for the works related to the provisioning for the SLEX future expansion amounting to ₱251.2 million inclusive of VAT and (2) Extension of the concession period by 3 ½ years due to the delays encountered as a result of the variation order.

On February 6, 2015, the DPWH issued a Prior Clearance to issue a Variation Notice with a cap of ₱223.0 million.

On May 27, 2015, the DPWH approved the adjusted cost of the variation order in the amount of ₱223.0 million (which was rectified by the Bureau of Construction) variation proposal and endorsed it to the National Economic and Development Authority (NEDA) for information and appropriate action. Accordingly, the Parent Company transferred the amount of ₱223.0 million from service concession account to receivables from the Government upon approval of the DPWH of the variation order (see Note 35).

As of December 31, 2015, the variation proposal is still for approval of the NEDA.



Service Concession Obligation

PGL Concession Fees

Under Laguna AAA Water Corporation's (LAWC) concession agreement with PGL, LAWC is required to pay concession fees to PGL computed as a percentage of water sales as follows:

<u>Operational Period</u>	<u>Percentage of Water Sales</u>
Years 1 to 5	4%
Years 6 to 10	3%
Years 11 to 25	2%

Advance payment to PGL was made for the said concession fees and 70% of the annual concession fees is applied against the said advances. The remaining 30% of the annual concession fees is expensed in the period they are incurred. Advances as of December 31, 2015 and 2014 amounted to ₱86.6 million and ₱102.8 million, respectively.

TIEZA Concession Fees

The aggregate concession fee pursuant to BIWC's concession agreement with TIEZA is equal to the sum of the following:

- a. Servicing the aggregate peso equivalent of all liabilities of BWSS as of commencement date;
- b. 5% of the monthly gross revenue of BIWC, inclusive of all applicable taxes which are for the account of BIWC.
- c. Payment of annual operating budget of the TIEZA Regulatory Office starting 2010. For 2010 and 2011, the amount shall not exceed ₱15.0 million. For the year 2012 and beyond, BIWC shall pay not more than ₱20.0 million, subject to annual CPI adjustments.

In addition, advance payment of ₱60.0 million was provided to BIWC which shall be offset against the annual concession fees amounting to 5% annual gross revenue of BIWC, within a period of 10 years from the signing of the concession agreement or until fully paid. Any amount payable after application of the advance payment will be expensed in the period this is incurred. The remaining balance of the advances amounted to ₱4.2 million as of December 31, 2014. The advances were fully paid in 2015.

CDC Concession Fees

The aggregate concession fee pursuant to the CWC's concession agreement with CDC is equal to the sum of the following:

- a. Annual franchise fee of ₱1.5 million;
- b. Semi-annual rental fees of ₱2.8 million for leased facilities from CDC.

As a result of the extension of the Concession Agreement of CWC, payment of rental fees on the CDC existing facilities was extended by an additional 15 years from October 1, 2025 to October 1, 2040.

MWSS Concession Fees

The aggregate concession fees of MWC pursuant to the concession agreement are equal to the sum of the following:

- a. 10% of the aggregate peso equivalent due under any MWSS loan which has been disbursed prior to the Commencement Date, including MWSS loans for existing projects and the Umiray Angat Transbasin Project (UATP), on the prescribed payment date;



- b. 10% of the aggregate peso equivalent due under any MWSS loan designated for the UATP which has not been disbursed prior to the Commencement Date, on the prescribed payment date;
- c. 10% of the local component costs and cost overruns related to the UATP;
- d. 100% of the aggregate peso equivalent due under MWSS loans designated for existing projects, which have not been disbursed prior to the Commencement Date and have been either awarded to third party bidders or elected by MWC for continuation; and
- e. 100% of the local component costs and cost overruns related to existing projects;
- f. MWC's share in the repayment of MWSS loan for the financing of new projects; and
- g. One-half of MWSS annual corporate budget.

The schedule of undiscounted future concession fee payments follows:

Year	Foreign Currency Denominated Loans (Translated to US Dollars)	Peso Loans/ Project Local Support	Total Peso Equivalent*
2016	\$19,043,231	₱395,714,907	₱1,291,889,358
2017	10,960,747	395,714,907	911,527,661
2018	10,836,185	395,714,907	905,665,773
2019	8,526,286	395,714,907	796,961,926
2020 onwards	53,484,891	7,122,868,322	9,639,867,292
	\$102,851,340	₱8,705,727,950	₱13,545,912,010

*Peso equivalent is translated using the PDEX closing rate as of December 31, 2015 amounting to ₱47.06 to US\$1.

Estimated concession fee payments on future concession projects, excluding MWC Group's share in current operating budget is still not determinable. It is only determinable upon either loan drawdown and actual construction of the related concession projects as a percentage of revenues or as a fixed amount.



16. Intangible Assets

The movements in intangible assets follow:

	2015									Total
	Goodwill	Customer Relationships	Order Backlog	Unpatented Technology	Developed Software	Licenses	Technical Service Agreement	Trademarks	Project Development Cost	
	(In Thousands)									
Cost										
At January 1	₱5,303,393	₱1,221,552	₱4,128	₱4,105	₱331,006	₱299,053	₱84,733	₱66,604	₱558,926	₱7,873,500
Additions during the year	-	-	-	-	31,050	1,257	-	-	61	32,368
Additions through business combination (Note 24)	241,243	-	-	-	-	-	-	-	-	241,243
Transfers (Note 14)	-	-	-	-	-	-	-	-	(104,224)	(104,224)
Exchange differences	113,362	14,582	-	-	5,803	6,363	-	-	2,549	142,659
At December 31	5,657,998	1,236,134	4,128	4,105	367,859	306,673	84,733	66,604	457,312	8,185,546
Accumulated amortization and impairment loss										
At January 1	2,024,009	1,065,316	4,128	4,105	180,141	253,772	84,733	54,346	19,486	3,690,036
Amortization (Note 23)	-	61,272	-	-	40,433	17,773	-	-	14,859	134,337
Impairment (Note 23)	296,667	-	-	-	-	-	-	-	137,755	434,422
Exchange differences	-	13,235	-	-	3,878	35	-	-	-	17,148
At December 31	2,320,676	1,139,823	4,128	4,105	224,452	271,580	84,733	54,346	172,100	4,275,943
Net book value	₱3,337,322	₱96,311	₱-	₱-	₱143,407	₱35,093	₱-	₱12,258	₱285,212	₱3,909,603

	2014									Total
	Goodwill	Customer Relationships	Order Backlog	Unpatented Technology	Developed Software	Licenses	Technical Service Agreement	Trademarks	Project Development Cost	
	(In Thousands)									
Cost										
At January 1	₱5,243,079	₱1,211,713	₱4,128	₱4,105	₱240,607	₱295,999	₱84,733	₱66,604	₱180,953	₱7,331,921
Additions during the year	-	-	-	-	57,436	3,054	-	-	12,730	73,220
Additions through business combination (Note 24)	10,983	-	-	-	-	-	-	-	365,243	376,226
Exchange differences	49,331	9,839	-	-	32,963	-	-	-	-	92,133
At December 31	5,303,393	1,221,552	4,128	4,105	331,006	299,053	84,733	66,604	558,926	7,873,500
Accumulated amortization and impairment loss										
At January 1	1,689,549	991,204	4,128	4,105	67,146	253,772	84,733	41,952	19,486	3,156,075
Amortization (Note 23)	-	64,695	-	-	89,196	-	-	12,394	-	166,285
Impairment (Note 23)	335,731	-	-	-	-	-	-	-	-	335,731
Exchange differences	(1,271)	9,417	-	-	23,799	-	-	-	-	31,945
At December 31	2,024,009	1,065,316	4,128	4,105	180,141	253,772	84,733	54,346	19,486	3,690,036
Net book value	₱3,279,384	₱156,236	₱-	₱-	₱150,865	₱45,281	₱-	₱12,258	₱539,440	₱4,183,464



Goodwill pertains to the excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group.

Impairment Testing of Goodwill for the Group

IMI Group

Goodwill acquired through business combinations have been allocated to five individual CGUs of IMI for impairment testing as follows (amounts in thousands):

	2015		2014	
	In US\$	In Php*	In US\$	In Php*
Speedy Tech Electronics, Ltd. (STEL)	US\$45,128	₱2,123,724	US\$45,128	₱2,018,124
IMI USA	657	30,900	657	29,381
IMI CZ	650	30,608	650	29,068
IMI Philippines	441	20,761	441	19,722
	US\$46,876	₱2,205,993	US\$46,876	₱2,096,295

*Translated using the PDEX closing exchange rate at the statement of financial position date (US\$1:₱47.06 in 2015 and US\$1:₱44.72 in 2014).

STEL Group, IMI USA, IMI CZ and PSi

The recoverable amounts of these CGUs have been based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The post-tax discount rates applied to cash flow are as follows:

	2015	2014
STEL Group	13.01%	10.18%
IMI USA	10.51%	8.47%
IMI CZ	8.79%	10.50%
PSi	—	11.07%

Cash flows beyond the five-year period are extrapolated using a steady growth rate of 1%, which does not exceed the compound annual growth rate (CAGR) for the global EMS industry.

Key assumptions used in value in use calculations

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

- Forecasted gross margins - Gross margins are based on the mix of business model arrangements with the customers.
- Revenue - Revenue forecasts are management's best estimates considering factors such as industry CAGR, customer projections and other economic factors.
- Pre-tax discount rates - Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. This is also the benchmark used by management to assess operating performance. The discount rate calculation is based on the specific circumstances of the IMI Group and its operating segments and is derived from its weighted average cost of capital.

No impairment loss was assessed for STEL Group, IMI USA and IMI CZ in 2015, 2014 and 2013. For PSi, the assessment resulted in an impairment loss for the remaining balance of goodwill amounting to US\$7.5 million (₱335.7 million) in 2014 included in "Other charges" in the consolidated statement of income (see Note 23).

Sensitivity to changes in assumptions

With regard to the assessment of value in use of STEL Group, IMI USA, and IMI CZ, IMI Group management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGUs to exceed their recoverable amount.



IMI Philippines

This pertains to the goodwill arising from the purchase of M. Hansson Consulting, Inc. (MHCI) in 2006. MHCI was subsequently merged with IMI Philippines as testing and development department.

The recoverable amount was based on the market price of the IMI's shares at valuation date less estimated costs to sell. The comparison of the recoverable amount and the carrying amount resulted to no impairment loss in 2015, 2014 and 2013.

MWC and Philwater

Goodwill from the acquisition of MWC and Philwater amounted to ₱393.8 million as of December 31, 2015 and 2014. The recoverable amount in 2015 and 2014 was based on the market price of MWC shares at valuation date less estimated cost to sell. The comparison of the recoverable amount and the carrying amount resulted in no impairment.

CWC

Goodwill from the acquisition of CWC amounted to ₱130.3 million as of December 31, 2015 and 2014. MWC's impairment tests for goodwill from the acquisition of CWC is based on value in use calculations using a discounted cash flow model. The cash flows are derived from the budget for the next 25 years and assumes a steady growth rate. MWC used the remaining concession period of CWC, which is a period longer than the maximum of five years. The recoverable amount is most sensitive to discount rate used for the discounted cash flow model. The post-tax discount rate applied to cash flows projections is 9.72% in 2015 and 10.45% for 2014.

No impairment loss was recognized as a result of the impairment testing performed.

ACEHI Group

Goodwill acquired through business combinations have been allocated to two individual CGUs of ACEHI for impairment testing as follows:

	2015	2014
	(In Thousands)	
Wind Power	₱411,031	₱411,031
Hydro Power	—	55,424
	₱411,031	₱466,455

The recoverable amount of the Wind Power CGU is based on value in use calculations using cash flow projections from financial budgets approved by ACEHI management covering the period the CGU is expected to be operational. The post-tax discount rates applied to cash flow projections for the Wind Power CGU is 10% which is based on weighted average cost of capital of comparable entities. The value in use computation is most sensitive to the discount rate and growth rate applied to the cash flow projections.

ACEHI management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the Wind Power CGU to exceed its recoverable amount.

No impairment loss was assessed for the Wind Power CGU in 2015 and 2014 while the balance from Hydro Power CGU was impaired in 2015.

Customer relationships

Customer relationships pertain to STEL Group's and IMI BG's noncontractual and contractual agreements, respectively, with certain customers which lay out the principal terms upon which the parties agree to undertake business. Customer relationship of STEL amounting to US\$12.9 million (₱576.9 million) is fully amortized as of December 31, 2015 and 2014.



Developed software

Developed software pertains to IQ BackOffice's (IQB), a subsidiary of AIVPL, internally developed web-based process management tool that is used jointly with customers to manage transactions in real-time. The developed software augments IQB's existing accounting system and automates traditionally paper-based processes (e.g., electronic/paper receipt, electronic routing, approvals, etc.).

17. Pension and Other Noncurrent Assets

This account consists of the following:

	2015	2014
	(In Thousands)	
Deposits and Advances - Projects	₱8,536,278	₱6,654,046
Deferred charges	3,537,483	474,470
Concession financial receivable (Note 9)	989,073	899,070
Deferred FCDA	644,429	141,189
Leasehold rights - net	93,467	100,100
Pension assets (Note 27)	66,176	19,064
Others	424,424	8,542,462
	₱14,291,330	₱16,830,401

Deposits and Advances - Projects

Deposits and advances for projects include escrow deposits and security deposits on land leases, electric and water meter deposits.

ACEHI

In 2012, ACEHI deposited in an escrow account potential earn-out amounting to ₱167.7 million in relation to the Achieved Capacity Factor Adjustment. Payment of which is dependent on the final resolution of the Arbitration Committee and the final FiT rate to be awarded to NorthWind in 2013 (see Note 38). ACEHI management decided not to reverse the FiT contingent consideration on the grounds that the previous owners of NorthWind may still decide to pursue the transaction. In February 2014, the previous owners of Northwind signed the arbitration procedures. Interest income earned on the escrow account amounted to ₱3.4 million and ₱2.9 million in 2015 and 2014, respectively.

As of December 31, 2015, the arbitration proceedings between the previous owners of Northwind and ACEHI has not started.

Deferred charges

Deferred charges mainly consist of prepayments for expenses that is amortized for more than one year.

Deferred FCDA

Deferred FCDA refers to the net unrecovered amounts from (amounts for refund to) customers of MWC Group for realized losses (gains) from payments of foreign loans based on the difference between the drawdown or rebased rate versus the closing rate at payment date. This account also covers the unrealized gains or losses from loan valuations.

Leasehold rights

Leasehold rights pertain to the right to use an island property which expires on December 31, 2029. The cost amounted to ₱127.4 million and accumulated amortization as of December 31, 2015 and 2014 amounted to ₱33.9 million and ₱27.3 million, respectively. Amortization expense amounted to ₱6.7 million in 2015, 2014 and 2013.



Others

Others include advance rentals, long-term miscellaneous accounts and restricted cash that are not available for use by the Group (see Note 20). The restricted cash was subsequently released in 2015 and is included under Cash and Cash Equivalents. This account also includes consideration for the development rights of ALI Group by way of advance rental payments to Global Estate Resorts, Inc. (GERI) amounting to ₱294.4 million in 2015. The advances are non-interest bearing and amortized over the lease term.

18. Accounts Payable and Accrued Expenses

This account consists of the following:

	2015	2014
	(In Thousands)	
Accounts payable	₱85,018,209	₱70,470,671
Accrued expenses		
Project costs	16,939,548	17,321,785
Personnel costs	4,964,387	3,772,205
Rental and utilities	3,568,090	3,497,019
Professional and management fees	3,123,664	2,703,201
Repairs and maintenance	3,070,438	1,694,872
Advertising and promotions	1,101,267	2,371,634
Various operating expenses	2,150,777	1,071,079
Taxes payable	10,965,789	11,292,425
Liability for purchased land	5,875,203	3,069,452
Dividends payable	3,414,356	2,845,013
Interest payable (Note 31)	2,456,026	2,261,525
Related parties (Note 31)	1,372,445	2,458,817
Retentions payable	1,316,087	1,014,364
DRP Obligation	261,590	257,774
	₱145,597,876	₱126,101,836

Accounts payable and accrued expenses are non-interest bearing and are normally settled on 15- to 60-day terms. Other payables are non-interest bearing and are normally settled within one year.

In 2015 and 2014, accounts payable includes non-interest bearing liability of the Parent Company to DBS in relation to the acquisition of BPI common shares and LHI Class B common shares amounting to ₱3.3 billion (see Note 12).

Project costs represent accrual for direct costs associated with the commercial, residential and industrial project development and construction like engineering, design works, contract cost of labor and direct materials.

Accrued operating expenses include accruals for postal and communication, supplies, transportation and travel, subcontractual costs, security, insurance and representation.

Liability for purchased land pertains to the current portion of the unpaid unsubdivided land acquired.

Taxes payable consists of net output VAT, withholding taxes, business taxes, and other statutory payables, which are due within one year.



Development Rights Payment (DRP) obligation pertains to the liability arising from the assignment agreement between ALI's subsidiary, North Triangle Depot Commercial Corporation (NTDCC), and MRT Development Corporation for the development rights of the 8.3 hectare portion of the MRT Depot.

19. Other Current Liabilities

This account consists of:

	2015	2014
	(In Thousands)	
Customers' deposits	₱4,204,260	₱9,161,743
Nontrade payables	414,585	278,407
Installment payable	7,064	7,376
Derivative liability (Note 33)	3,771	4,755
	₱4,629,680	₱9,452,281

Customers' deposits consist of tenants' deposits and construction bonds to be refunded by the Group through the application of the amount thereof against the rent and service due to the Group. This also includes residential customers' deposit which are collections that have not reached the 10% threshold to qualify for revenue recognition.

Nontrade payables pertain mainly to non-interest bearing real estate-related payables to contractors and various non-trade suppliers which are due within one year.

20. Short-term and Long-term Debt

Short-term debt consists of:

	2015	2014
	(In Thousands)	
Philippine peso debt - with interest rates ranging from 1.83% to 8.00% per annum in 2015 and 2.0% to 8.0% per annum in 2014	₱21,078,249	₱16,919,900
Foreign currency debt - with interest rates ranging from 1.03% to 1.30% in 2015, 1.10% to 2.55% over 1 month EURIBOR in 2014	3,309,266	4,164,369
	₱24,387,515	₱21,084,269

Parent Company

On December 16, 2015, the Parent Company issued a promissory note to BPI amounting to ₱8.0 billion payable after 30 days with fixed interest rate of 2.75% per annum. The loan under this note was secured by an assignment of deposits belonging to AYCFL amounting to US\$175.0 million (₱8.2 billion).

ALI Group

The short-term debt of ALI Group amounted to ₱10.5 billion and ₱16.3 billion as of December 31, 2015 and 2014, respectively, represent unsecured peso-denominated bank loans and dollar-denominated bank loans with various interest rates. In compliance with BSP ruling on directors, officers, stockholders and related interests, certain short-term debt with a carrying value of ₱1.7 billion as of December 31, 2015 are secured by a real estate mortgage covering certain properties of ALI.



AAHC Group

The Philippine peso debt of AAHC Group pertains to short-term loans with various banks amounting to ₱3.4 billion and ₱2.0 billion as of December 31, 2015 and 2014, respectively. These loans are unsecured and bear interest rate of 2.6% to 2.9% per annum in 2015 and 2.7% to 2.9% per annum in 2014.

AIVPL Group

The peso-denominated and dollar-denominated debt of AIVPL Group pertains to short-term loans with various banks amounting to ₱520.8 million and ₱275.0 million as of December 31, 2015 and 2014, respectively. These loans are unsecured and bear interest rates ranging from 5.0% to 8.0% in 2015 and 6.0% to 8.0% in 2014.

BHL Group

BHL's loans are unsecured dollar-denominated bank loans amounting to nil and US\$3.9 million (₱173.2 million) as of December 31, 2015 and 2014 and bear interest rates of nil and 5.0%, respectively.

IMI Group

As of December 31, 2015 and 2014, IMI Group has short-term loans aggregating to US\$42.3 million (₱1,990.6 million) and US\$52.1 million (₱2,329.9 million), respectively. These short-term loans have maturities ranging from 30-180 days and bear fixed interest rates ranging from 1.03% to 1.50% in 2015 and 1.75% to 2.20% in 2014.

Long-term debt consists of:

	2015	2014
	(In Thousands)	
The Parent Company:		
Bank loans - with interest rates ranging from 2.8% to 4.3% per annum in 2015 and 2.7% to 4.3% per annum in 2014 and varying maturity dates up to 2020	₱8,084,468	₱21,171,095
Bonds	39,780,544	39,733,895
Fixed Rate Corporate Notes (FXCN)	2,985,678	—
	50,850,690	60,904,990
Subsidiaries:		
Loans from banks and other institutions:		
Foreign currency - with interest rates ranging from 1.20% to 2.90% in 2015, 0.50% to 6-month LIBOR plus 1.50% spread per annum in 2014 and 3 months LIBOR to 3.00% in 2013	37,780,645	45,284,334
Philippine peso - with interest rates ranging from 2.80% to 9.0% in 2015 and 2.02% to 10.21% in 2014 (Note 23)	38,833,218	42,443,993
Bonds:		
Exchangeable bonds due 2019	13,159,894	12,247,531
Due 2015	—	986,710
Due 2016	2,182,850	1,982,700
Due 2019	9,304,168	9,292,190
Due 2020	3,973,778	3,969,010
Due 2022	12,555,367	5,615,067

(Forward)



	2015	2014
	(In Thousands)	
Due 2024	₱14,886,169	₱14,875,092
Due 2025	7,927,851	7,922,131
Due 2033	1,982,849	1,982,330
	142,586,789	146,601,088
Floating Rate Corporate Notes (FRCNs)	1,000,000	1,000,000
FXCNs	44,515,700	29,254,380
	45,515,700	30,254,380
	238,953,179	237,760,458
Less current portion	28,153,532	10,761,443
	₱210,799,647	₱226,999,015

Reconciliation of carrying amount against nominal amount follows:

	2015	2014
	(In Thousands)	
Nominal amount	₱241,223,638	₱239,815,274
Unamortized discount	(2,270,461)	(2,054,816)
	₱238,953,177	₱237,760,458

The Parent Company

Generally, the Parent Company's long-term loans are unsecured. Due to certain regulatory constraints in the local banking system regarding loans to directors, officers, stockholders and related interest, some of the Parent Company's credit facilities with a local bank are secured by shares of stock of a subsidiary with a fair value of ₱13.8 billion and ₱13.3 billion as of December 31, 2015 and 2014, respectively, in accordance with BSP regulations. All credit facilities of the Parent Company outside of this local bank are unsecured, and their respective credit agreements provide for this exception. The Parent Company positions its deals across various currencies, maturities and product types to provide utmost flexibility in its financing transactions.

Bonds

Below is the summary of the outstanding bonds issued by the Parent Company:

Year Issued	Term	Interest rate	Principal Amount (In thousands)	Carrying Value (In thousands)		Features
				2015	2014	
2010	7 years	7.20%	₱10,000,000	₱9,975,487	₱9,957,982	Puttable on the 20th coupon payment date
2011	10 years	6.80%	10,000,000	9,938,839	9,925,168	20% balance puttable on the 5th anniversary of the issue date; balance puttable on the 8th anniversary issue date
2012	15 years	6.875%	10,000,000	9,939,287	9,930,244	Puttable from the 10th anniversary issue until every year thereafter until the 14th anniversary issue date
2012	7 years	5.45%	10,000,000	9,926,931	9,920,501	Puttable from the 4th anniversary issue until every year thereafter until the 6th anniversary issue date
			₱40,000,000	₱39,780,544	₱39,733,895	



Bank loans - with interest rates ranging from 2.8% to 4.3% per annum in 2015 and 2.7% to 4.3% per annum in 2014 and varying maturity dates up to 2020

In October and November 2012, the Parent Company availed ₱2.0 billion and ₱5.0 billion loan from various banks to mature in 2017 and 2019, respectively. The ₱2.0 billion loans shall have interest rate per annum equal to the 3-month PDST-R2 plus a spread of seventy five basis points (0.75%) per annum, or BSP reverse repurchase (RRP) rate, whichever is higher. The ₱5.0 billion loans shall have interest rate per annum equal to the 3-month PDST-R2 plus a spread of seventy five basis points (0.75%) or the BSP RRP rate plus spread of twenty five (25) basis points, whichever is higher. The interest rate shall be set on the first drawdown date and every three months thereafter. In February 2015, the Parent Company prepaid the ₱5.0 billion loan in full, including accrued interest and penalty. First principal payment for the ₱2.0 billion loan amounting to ₱100.0 million was paid in October 2015.

In November and December 2013, the Parent Company availed ₱2.0 billion and ₱4.3 billion loan from various banks to mature in 2018 and 2020, respectively. The ₱2.0 billion loans shall have interest rate per annum equal to the 3-month PDST-R2 plus a spread of 100 basis points (1%) per annum, or BSP overnight reverse repurchase (RRP) rate plus a spread of 25 basis points (0.25%), whichever is higher. The ₱4.3 billion loans shall have interest rate per annum equal to the 6-month PDST-R1 plus a spread of thirty basis points (0.30%) for the first six months and 3-month PDST-R1 plus a spread of sixty basis points (0.60%) thereafter. In December 2015, the Parent Company paid the first principal payment for the ₱4.3 billion which amounted to ₱42.5 million

On January 24, 2014, the Parent Company issued a promissory note to BPI amounting to ₱8.0 billion with principal repayment of 5%, 5% and 90% on end of third year, fourth year and fifth year, respectively. The loan under this note (including interest, charges, and those taxes for which the Parent Company is liable under the terms of Loan Agreement) was secured by an assignment of deposits belonging to AYCFL (see Note 17). The loan was pre-terminated by the Parent Company in October 2015.

FXCN with 5.29% interest per annum and maturity date in 2022

On August 17, 2015, the Parent Company issued a 7-year FXCN to a bank amounting to ₱3.0 billion which bears fixed interest rate of 5.2883% per annum. Principal repayments amounting to ₱30.0 million shall be made at the end of the third year until the sixth year and payment of remaining principal balance amounting to ₱2.88 million at maturity date.

Subsidiaries

On December 16, 2010, AYCFL entered into a 6-year syndicated term loan facility with a foreign bank with the Parent Company as guarantor for US\$229.2 million. On November 16, 2011 and December 12, 2012, AYCFL drewdown US\$100.0 million and US\$129.2 million on the syndicated term loan facility at a rate of 1.46 basis points over the 1-, 3- or 6-month US\$ LIBOR at the Parent Company's option. On December 16, 2015, AYCFL settled the first principal payment, including interests, amounting to US\$46.1 million.

On March 28, 2011, AYCFL entered into a US\$150.0 million 6.5-year transferrable term loan facility with a foreign bank. The transferrable term loan facility was subsequently amended on September 28, 2012 and on August 30, 2013. On September 5, 2013 and January 7, 2014, AYCFL drewdown US\$50.0 million and US\$100.0 million on the transferrable term loan facility at a rate of 139.4 basis points over the 1-, 3- or 6-month LIBOR at the option of AYCFL. In September 2015, AYCFL partially paid the term loan facility amounting to US\$100.0 million.

On September 28, 2012, AYCFL entered into a 3-year revolving credit facility with a foreign bank, with the Parent Company as guarantor for US\$20.0 million. On January 7, 2014, AYCFL drewdown the full amount of the revolving credit facility with interest rate of 86.67 basis points over the 1-, 3- or 6-month LIBOR at the option of AYCFL. On September 28, 2015, AYCFL paid the loan in full.



On November 28, 2013, AYCFL, entered into a 5-year syndicated term loan with a foreign bank, with the Parent Company as guarantor, for US\$225.0 million. On January 14, 2014, AYCFL drewdown the full amount of the term loan at a rate of 135 basis points over the 1-, 3- or 6-month LIBOR at the option of AYCFL.

AYCFL Exchangeable Bonds

On May 2, 2014, AYCFL issued at face US\$300.0 million Exchangeable Bonds (the Bonds) due on May 2, 2019 with a fixed coupon rate of 0.50% per annum, payable semi-annually. The Bonds are guaranteed by the Parent Company and constitute direct, unsubordinated, unconditional and unsecured obligations of AYCFL, ranking pari passu and without any preference or priority among themselves. The Bonds are listed in the Singapore Stock Exchange and include features such as exchange option, put option and early redemption options. The exchange option entitles the bondholders to exchange the Bonds for ALI's common shares at any time on or after June 11, 2014 up to the close of business on the 10th day prior to maturity date, or if such bonds shall have been called for redemption by AYCFL before the maturity date, then up to the close of business on a date no later than 10 days prior to the date fixed for redemption. The exchange price per principal amount to be exchanged, translated into at the fixed exchange rate of ₱44.31/US\$1.00, is equal to 36.48, subject to anti-dilutive adjustments contingent on certain events. The exchange option was assessed to be an equity component of the Bonds at the consolidated financial statements as the Bonds are denominated in the functional currency of AYCFL and to be settled by the Parent Company through issuance of a fixed number of ALI's common shares.

The put option entitles the bondholders to require AYCFL to redeem, in whole or in part, the Bonds on May 2, 2017 (put option date) at 100% of the principal amount together with accrued and unpaid interest. Moreover, if a change of control event occurs (the change of control put) or in the event that the common shares of ALI are delisted or suspended from trading for a period of more than 20 consecutive trading days (the delisting put), the bondholders may require AYCFL to redeem the Bonds, in whole but not in part, at 100% of the principal amount together with accrued and unpaid interest.

The early redemption option gives the right to AYCFL to redeem the Bonds, in whole but not in part, at any time after May 2, 2017 at 100% of the principal amount on the date fixed for such redemption, provided, however, that no such redemption may be made unless the closing price of the common shares of ALI (translated into US\$ at the prevailing average to US\$ exchange rate as published by the BSP) for any 30 consecutive trading days was at least 130% of the exchange price then in effect (translated into US\$ at the fixed exchange rate of ₱44.31/US\$1.00). In addition, if at any time the aggregate principal amount of the Bonds outstanding is less than 10% of the aggregate principal amount originally issued or if a tax event occurs, AYCFL may redeem the Bonds, in whole but not in part, at 100% of principal amount together with accrued and unpaid interest.

The put and early redemption options were assessed to be embedded derivatives that are clearly and closely related to the host contract, therefore, not required to be bifurcated. As the Bonds were determined to be a compound instrument at the consolidated level, (i.e., it has a liability and an equity component which pertains to the exchange option), the Group applied split accounting. The value allocated to the equity component at issue date amounted ₱1.1 billion, being the residual amount after deducting the fair value of the liability component amounting to ₱11.9 billion from the issue proceeds of the Bonds.

IMI Group

IMI Philippines

On August 12, 2015, IMI Philippines obtained a \$20.0 million five-year term loan from a local bank payable as the end of the loan term subject to a fixed interest rate per annum equal to the 5-year Dollar Benchmark rate plus a spread of 5 bps or the rate of 2.8%, whichever is higher. Interests are payable quarterly in arrears on each interest payment date.



On February 29, 2012, IMI Philippines obtained a €5.0 million (₱306.3 million) five-year term clean loan from a local bank payable in a single balloon payment at the end of the loan term. IMI Philippines may, at its option, prepay the loan in part or in full, together with the accrued interest without penalty, if made on an interest payment date, subject to certain conditions. Interest is payable semi-annually at the rate of six-month LIBOR plus 1.50% spread per annum.

In October 2011, IMI Philippines obtained a five-year term clean loan from a local bank amounting to US\$40.0 million payable in a single balloon payment at the end of the loan term. IMI Philippines may, at its option, prepay the loan in part or in full, together with the accrued interest without penalty. Interest on the loan is payable quarterly and re-priced quarterly at the rate of three-month LIBOR plus margin of 0.8%. As of December 31, 2015, the loan was reclassified to current liability.

Cooperatief

Cooperatief's long-term debt aggregating to €14.25 million (\$20.40 million) as at July 29, 2011 relates primarily to the acquisition of EPIQ shares and receivables of EPIQ NV from IMI EU/MX Subsidiaries. Based on the payment schedule in the SPA, this long-term debt will be settled from 2013 to 2018, subject to interest rate of 1.60% plus 1.50%.

Cooperatief had already paid €2.0million (\$2.2 million) and €2.0 million (\$2.6 million), respectively.

Below is the amortization schedule:

Due Dates	In EUR	In USD
2016	€2,000,000	\$2,177,400
2017	2,000,000	2,177,400
2018	4,248,743	4,625,607
	€8,248,743	\$8,980,407

IMI BG

IMI BG has a long-term debt from BNP Paribas that relates to the term loan facility for financing the construction of a new warehouse with a term of five years and bears interest based on 3-month EURIBOR plus 2.90%. The warehouse was completed in 2013.

The credit facility with BNP Paribas is subject to the following collateral: Security of Transfer of Ownership Title relating to office and factory equipment with a carrying value of US\$1.35 million.

IMI CZ

On August 14, 2015, IMI CZ obtained a new term loan facility from Citibank amounting to €2.0 million that was used to settle intercompany loans. The principal shall be paid in 60 regular monthly installments and bears interest of 3-month EURIBOR plus 1.20% but is not to exceed 15% per annum.

In 2013, IMI CZ has a long-term debt from Citibank amounting to €0.59 million (₱35.9 million) that relates to term loan facility for the purchase of its new Surface Mount Technology machine. The debt bears interest of 1-month EURIBOR plus 2.7% and matures on July 31, 2019.

MWC Group

MWC International Finance Corporation (IFC) Loan

On March 28, 2003, MWC entered into a loan agreement with IFC (the "First IFC Loan") to partially finance MWC's investment program from 2002-2005 to expand water supply and sanitation services, improvement on the existing facilities of MWC, and concession fee payments. The First IFC Loan will be made available in Japanese Yen (JPY) in the aggregate principal amount of JPY3,591.6 million equivalent to US\$30.0 million and shall be payable in 25 semi-annual installments, within 12 years starting on July 15, 2006. As of December 31, 2015 and 2014, the carrying value of the loan amounted to JPY711.0 million (₱278.7 million) and JPY992.1 million (₱367.7 million), respectively.



On May 31, 2004, MWC entered into a loan agreement with IFC (the “Second IFC Loan”) comprising of regular loan in the amount of up to US\$20.0 million and a standby loan in the amount of up to US\$10.0 million to finance the investment program from 2004 to 2007 to expand water supply and sanitation services, improvement of existing facilities of MWC, and concession fee payments. This loan was subsequently amended on November 22, 2006, when MWC executed the Amended and Restated Loan Agreement for the restructuring of the Second IFC Loan. The terms of the second loan were amended to a loan in the aggregate amount of up to US\$30.0 million, no part of which shall consist of a standby loan. On December 12, 2008, MWC made a full drawdown on the said facility. As of December 31, 2015 and 2014, the outstanding balance amounted to US\$2.0 million (₱94.1 million) and US\$5.9 million (₱263.8 million), respectively.

Land Bank of the Philippines (LBP) Loan

On October 20, 2005, MWC entered into a Subsidiary Loan Agreement with LBP to finance the improvement of the sewerage and sanitation conditions in the East Zone. The loan has a term of 17 years, and was made available in Japanese Yen in the aggregate principal amount of JPY6.6 billion payable via semi-annual installments after the 5-year grace period. MWC made its last drawdown on October 26, 2012.

The total drawn amount for the loan is JPY3.99 billion. As of December 31, 2015 and 2014, outstanding balance of the LBP loan amounted to JPY2,192.9 million (₱859.6 million) and JPY2,527.9 million (₱936.8 million), respectively.

On September 25, 2012, MWC entered into a Subsidiary Loan Agreement with LBP under the Metro Manila Wastewater Management Project (MWMP) with the World Bank. The MWMP aims to improve used water services in Metro Manila through increased wastewater collection and treatment. The loan has a term of twenty-five (25) years, and was made available in US Dollars in the aggregated principal amount of US\$137.5 million via semi annual installments after the seven-year grace period. As of December 31, 2014, MWC has not made any drawdown from the facility. In 2015, MWC made a drawdown from the facility which amounted to US\$22.43 million (₱1,055.6 million) as of December 31, 2015.

European Investment Bank (EIB) Loan

On June 20, 2007, MWC entered into a Finance Contract (the “EIB Loan”) with EIB to partially finance the capital expenditures of MWC from 2007 to 2010, as specified under Schedule 1 of the Finance Contract. The loan, in the aggregate principal amount of €60 million, having a term of 10 years, is subject to the Relevant Interbank Rate plus a spread to be determined by EIB, and may be drawn in either fixed-rate or floating-rate tranches. The loan has two tranches as described below:

- Sub-Credit A: In an amount of €40 million to be disbursed in US Dollars or Japanese yen payable via semi-annual installments after the two and a half-year grace period. This loan tranche is guaranteed against all commercial risks by a consortium of international commercial banks composed of ING Bank, Development Bank of Singapore and Sumitomo-Mitsui Banking Corporation under a Guaranty Facility Agreement; and
- Sub-Credit B: In an amount of €20 million to be disbursed in US Dollars, European Euro or Japanese Yen payable via semi-annual installments after the two and a half-year grace period. This loan tranche is guaranteed against all commercial risks by ING Bank under a Guaranty Facility Agreement.

On May 21, 2012, the Sub-Credit A Guarantee Facility Agreement was amended to extend the effectivity of the guarantee. Two of the original guarantors, ING Bank and Sumitomo Mitsui Banking Corporation, agreed to extend the guarantee by another five years towards the maturity of the loan.



On July 30, 2013, the Sub-Credit B Guarantee Facility Agreement was amended to extend the effectivity of the guarantee. The original guarantor, ING Bank, agreed to extend the guarantee by another five years towards the maturity of the loan.

The carrying value of the EIB loan amounted to JPY1,755.1 million (₱650.4 million) and US\$9.3 million (₱415.9 million) as of December 31, 2014. MWC prepaid the EIB Loan effective February 20, 2015.

NEXI Loan

On October 21, 2010, MWC entered into a term loan agreement (NEXI Loan) amounting to US\$150.0 million to partially finance capital expenditures within the East Zone. The loan has a tenor of 10 years and is financed by a syndicate of four banks - ING N.V Tokyo, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ Ltd. and Sumitomo Mitsui Banking Corporation and is insured by Nippon Export and Investment Insurance. First, second and third drawdowns of the loan amounted to US\$84.0 million, US\$30.0 million and US\$36.0 million, respectively. The carrying value of this loan as of December 31, 2015 and 2014 amounted to US\$90.6 million (₱4,263.6 million) and US\$108.1 million (₱4,834.2 million), respectively.

ALI Group

In October 2012, ALI executed and fully withdrawn a US\$58.5 million long-term facility. The loan bears a floating interest rate based on a credit spread over the three-month US Dollar London Interbank Offered Rate (LIBOR), repriced quarterly. The loan will mature on the third month succeeding the tenth anniversary of the initial drawdown date. In January 2014 and October 2015, ALI made partial prepayments on the loan in the amount of US\$5.8 million (₱272.9 million) and US\$12.8 million (₱572.4 million), respectively.

Philippine Peso Debt

MWC Group

MWC

On April 8, 2011, MWC issued ₱10.0 billion FXCNs. The notes were divided to ₱5.0 billion with an interest rate of 6.385% and have a term of five years and ten years for the remaining ₱5.0 billion from the issue date with a fixed interest rate equivalent to 8.25% payable quarterly. Prior to maturity, MWC may repay the whole, and not in part only, the relevant outstanding bonds on the seventh anniversary. The amount payable to the holders in respect of such redemptions shall be calculated based on the principal amount of the bonds being redeemed, as the sum of 102% of the principal amount and accrued interest on the bonds on the optional redemption date. The carrying value of the notes as of December 31, 2015 and 2014 amounted to ₱9.8 billion.

On August 16, 2013, MWC entered into a Credit Facility Agreement with a local bank having a fixed nominal rate of 4.42% and with a term of 7 year from the issue date which is payable annually. MWC may repay the whole and not a part only of the loan starting on the 3rd anniversary of the drawdown date of such loan or on any interest payment date thereafter. The amount payable in respect to such prepayment shall be calculated as 102% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 3rd anniversary but before the 4th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101.5% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 4th anniversary but before the 5th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 101% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 5th anniversary but before the 6th anniversary of the drawdown date. The amount payable in respect to such prepayment shall be calculated as 100.5% of the principal amount being prepaid and accrued interest if such prepayment occurs on or after the 6th anniversary but before the 7th anniversary of the drawdown date. The carrying value of the loan as of December 31, 2015 and 2014 amounted to ₱4.9 billion and ₱5.0 billion, respectively.



On July 17, 2008, MWC, together with all of its Lenders signed an Omnibus Amendment Agreement and Intercreditor Agreement and these agreements became effective on September 30, 2008.

Prior to the execution of the Omnibus Amendment Agreement, the obligation of MWC to pay amounts due and owing committed to be repaid to the lenders under the existing facility agreements were secured by Assignment of Interest by Way of Security executed by MWC in favor of a trustee acting on behalf of the lenders. The Assignments were also subject to the provisions of the Amended and Restated Intercreditor Agreement dated March 1, 2004 and its Amendatory Agreement dated December 15, 2005 executed by MWC, the lenders and their appointed trustee.

Under the Omnibus Amendment Agreement, the lenders effectively released MWC from the assignment of its present and future fixed assets, receivables and present and future bank accounts, all the Project Documents (except for the Agreement, Technical Corrections Agreement and the Department of Finance Undertaking Letter), all insurance policies where MWC is the beneficiary and performance bonds posted in its favor by contractors or suppliers.

In consideration for the release of the assignment of the above-mentioned assets, MWC agreed not to create, assume, incur, permit or suffer to exist, any mortgage, lien, pledge, security interest, charge, encumbrance or other preferential arrangement of any kind, upon or with respect to any of its properties or assets, whether now owned or hereafter acquired, or upon or with respect to any right to receive income, subject only to some legal exceptions. The lenders shall continue to enjoy their rights and privileges as Concessionaire Lenders (as defined under the Agreement), which include the right to appoint a qualified replacement operator and the right to receive payments and/or other consideration pursuant to the Agreement in case of a default of either MWC or MWSS. Currently, all lenders of MWC (including the bondholders) are considered Concessionaire Lenders and are on *pari passu* status with one another.

In November and December 2014, MWC signed the Amendment Agreements to its loan agreements with its existing lenders. This effectively relaxed certain provisions in the loan agreements providing MWC more operational and financial flexibility.

On September 30, 2015, MWC signed a 7-year JPY40.0 billion term loan facility with three international banks: The Bank of Tokyo-Mitsubishi UFJ, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Banking Corporation. The proceeds of the loan will be used to finance MWC's capital expenditures. As of December 31, 2015, MWC has not made any drawdown from this facility.

LAWC

On September 7, 2010, LAWC, entered into a loan agreement with two local banks for the financing of its construction, operation, maintenance and expansion of facilities in its servicing area. Pursuant to the loan agreement, the lenders have agreed to provide loans to LAWC up to ₱500.0 million, principal payments of which will be made in 30 consecutive equal quarterly installments starting August 2013. First and second drawdowns from the loan were made in November 2010 and July 2011 amounting to ₱250.0 million each. The carrying value of this loan amounted to ₱330.9 million and ₱396.6 million as of December 31, 2015 and 2014, respectively.

On April 29, 2013, LAWC entered into a loan agreement with Development Bank of the Philippines (DBP) to partially finance the modernization and expansion of the water network system and water supply facilities in Biñan, Sta. Rosa and Cabuyao, Laguna. Under the loan agreement, the lender has agreed to provide loans to the borrowers through the Philippine Water Revolving Fund (PWRP) in the aggregate principal amount of up to ₱500.0 million bearing an effective interest rate of 7.25%. First and second drawdowns were made in July and December 2013 amounting to ₱250.0 million each. The carrying value of this loan as of December 31, 2015 and 2014 amounted to ₱498.8 million and ₱498.7 million, respectively.



On January 9, 2014, LAWC exercised its option to avail of the second tranche of its loan agreement with DBP to finance its water network and supply projects, including the development of a well-field network on the Biñan, Sta. Rosa area of Laguna. Under the expanded facility agreement, DBP provided additional loans to LAWC in the aggregate principal amount of ₱833.0 million. The first and second drawdowns were made in January 2014 and May 2014, respectively, amounting to ₱416.5 million each. The carrying value of the loans amounted to ₱830.9 million and ₱830.8 million as of December 31, 2015 and 2014, respectively.

On October 23, 2015, LAWC entered into a loan agreement with Security Bank Corp. (SBC) to finance the modernization and expansion of its water network system and water supply facilities throughout the province of Laguna. Under the loan agreement, the lender agreed to provide a loan to the borrower in the aggregate principal amount of up to ₱2.5 billion for an applicable fixed interest rate, as determined in respect of each drawdown. The first drawdown was made in December 2015, amounting to ₱600.0 million bearing an effective interest rate of 6.03%.

BIWC

On July 29, 2011, BIWC, entered into an omnibus loan and security agreement with DBP and Security Bank Corporation (SBC) to finance the construction, operation, maintenance and expansion of facilities for the fulfillment of certain service targets for water supply and waste water services for the Service Area under the Concession Agreement, as well as the operation and maintenance of the completed drainage system. The loan shall not exceed the principal amount of ₱500.0 million and is payable in twenty (20) years inclusive of a three (3)-year grace period.

The loan shall be available in three sub-tranches, as follows:

- Sub-tranche 1A, the loan in the amount of ₱250.0 million to be provided by DBP and funded through PWRP;
- Sub-tranche 1B, the loan in the amount of ₱125.0 million to be provided by SBC and funded through PWRP; and
- Sub-tranche 1C, the loan in the amount of ₱125.0 million to be provided by SBC and funded through its internally-generated funds.

The first loan draw down made on August 25, 2011 amounted to ₱150.0 million, second draw down on August 25, 2012 amounted ₱155.0 million and final draw down on August 23, 2013 amounted to ₱195.0 million. The carrying value of the loan as of December 31, 2015 and 2014 amounted to ₱474.2 million and ₱487.6 million, respectively.

The Agreement provided BIWC the option to borrow additional loans from the lenders. On November 14, 2012, BIWC entered into the second omnibus loan and security agreement with DBP and SBC. The agreed aggregate principal of the loan amounted to ₱500.0 million which is available in three sub-tranches:

- Sub-tranche 2A, the loan in the amount of ₱250.0 million to be provided by DBP and funded through PWRP
- Sub-tranche 2B, the loan in the amount of ₱125.0 million to be provided by SBC and funded through PWRP
- Sub-tranche 2C, the loan in the amount of ₱125.0 million to be provided by SBC and funded through BIWC's internally-generated funds.

On November 23, 2012, BIWC made its first loan drawdown amounting to ₱75.0 million and the second loan drawdown on August 26, 2014 amounted to ₱200.0 million. The carrying value of the loan as of December 31, 2015 and 2014 amounted to ₱476.9 million and ₱271.4 million, respectively.

On October 9, 2014, BIWC signed a Third Omnibus Loan and Security Agreement in the amount of ₱650.0 million with SBC. The loan will be used to fund the capital expenditures which will be used to provide water and sewerage services in the concession area of BIWC.



CMWD

On December 19, 2013, the CMWD entered into an omnibus loan and security agreement (the Agreement) with DBP to partially finance the construction works in relation to its bulk water supply project in Cebu, Philippines. The lender has agreed to extend a loan facility in the aggregate principal amount of ₱800.0 million or up to 70% of the total project cost whichever is lower.

The first drawdown made on December 20, 2013 amounted to ₱541.1 million, the second drawdown made on May 20, 2014 amounted to ₱195.6 million and the third drawdown made on November 14, 2014 amounted to ₱14.2 million. The carrying value of the loan as of December 31, 2015 and 2014 amounted to ₱741.8 million and ₱741.0 million, respectively.

ALI Group

The Philippine Peso bank loans include ALI subsidiaries' loans that will mature on various dates up to 2023 with floating interest rates at 60 to 80 basis points spread over benchmark 91-day PDST-R1/R2 and fixed interest rates of 3.26% to 10.21% per annum. Certain loans which are subject to floating interest rates are subject to floor floating interest rates at the Overnight Reverse Repurchase Agreement Rate of the Bangko Sentral ng Pilipinas (BSP Overnight Rate) or at the BSP Overnight Rate plus a spread of 20 to 75 basis points. In compliance with BSP ruling on directors, officers, stockholders and related interests, certain credit facilities with a total carrying value of ₱11.9 billion and ₱14.5 billion as of December 31, 2015 and 2014, respectively, are secured by a real estate mortgage dated September 2, 2014 covering certain properties of ALI.

Philippine Peso Homestarter Bond due 2015

In October 2012, ALI issued ₱1.0 million bond due 2015 with fixed rate equivalent to 5.0% p.a. The Credit Rating and Investors Services Philippines, Inc. (CRISP) assigned a "AAA" issuer rating, the highest credit rating possible on CRISP's rating scale for issuers. In 2015, ALI paid ₱767.0 million of the bonds and the remaining balance of ₱219.7 million is to be settled on January 7, 2016.

Philippine Peso Homestarter Bond due 2016

In May 2013, ALI issued the second tranche of the bonds registered with the SEC in 2012, at an aggregate principal amount of ₱2.0 billion. The bonds have a term of three (3) years from the issue date, and will bear interest on its principal amount at a fixed rate of 4.00% p.a. Interest will not be compounded and shall be payable on maturity date or on the date of effectivity of an Early Downpayment Application, as may be applicable, less the amount of any applicable withholding taxes. The outstanding balance of the bonds amounted to ₱1,963.8 million as of December 31, 2015.

Philippine Peso 7-Year and 10-year Bonds due 2019 and 2022

In April 2012, ALI issued a total of ₱15.0 billion bonds, broken down into a ₱9.4 billion bond due 2019 at a fixed rate equivalent to 5.625% p.a. and a ₱5.7 billion bond due 2022 at a fixed rate equivalent to 6.00% p.a. The Philippine Rating Services Corporation (PhilRatings) assigned a PRS "AAA", 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, ALI issued a total of ₱6.0 billion bonds, broken down into a ₱4.0 billion bond due 2020 at a fixed rate equivalent to 4.625% p.a. and a ₱2.0 billion bond due 2033 at a fixed rate equivalent to 6.00% p.a. CRISP assigned a "AAA" rating on the bonds.

Philippine Peso 10-year and 6-month Bonds due 2024

In July 2013, ALI issued a total of ₱15.0 billion bonds due 2024 at a fixed rate equivalent to 5.0% p.a. CRISP assigned a "AAA" on the bonds.



Philippine Peso 8.0 Billion Fixed Rate Bonds due 2025

In April 2014, ALI issued a total of ₱8.0 billion bonds due 2025 at a fixed rate equivalent to 5.625% p.a. The Bonds have been rated PRS “AAA” by PhilRatings.

Philippine Peso 7.0 Billion Fixed Rate Bonds due 2022

In April 2015, ALI issued a total of ₱7.0 billion bonds due 2022 at a fixed rate equivalent to 4.5% p.a. The Bonds have been rated PRS “AAA” by PhilRatings.

Philippine Peso 7-year FRCN due 2016

In October 2009, ALI executed a ₱1.0 billion committed FRCN facility with a local bank, of which an initial ₱10.0 million was drawn on October 12, 2009. The balance of ₱990.0 million was subsequently drawn on November 18, 2011. The FRCN bears a floating interest rate based on the 3-month PDST-R1 plus a spread of 0.96%, repriced quarterly. The FRCNs will mature on October 12, 2016, the seventh anniversary of the initial drawdown date.

Philippine Peso 5-, 7- and 10-year FXCNs due in 2011, 2013 and 2016

In September 2006, ALI issued ₱3.0 billion FXCNs consisting of 5-, 7- and 10-year notes issued to various financial institutions and will mature on various dates up to 2016. The FXCNs bear fixed interest rates ranging from 7.25% to 7.75% p.a. depending on the term of the notes. In January 2011, simultaneous to a new corporate note offering, ALI undertook a liability management exercise by offering to prepay holders of the corporate notes issued in 2006 while inviting the same institutions to participate in the new issuance. A number of investors holding up to ₱875.0 million of notes maturing in 2013 and 2016 accepted the offer to be prepaid. On September 23, 2011, the 5-year and one (1) day FXCNs amounting to ₱1.8 billion matured and were fully paid by ALI. Subsequently in September 2013, the balance of the 7-year FXCNs amounting to ₱195.0 million matured and was fully repaid by ALI. As of December 31, 2015 and 2014, outstanding balance amounted to ₱100.0 million.

Philippine Peso 5-, 7- and 10-year FXCN due 2014, 2016 and 2019

In January 2009, ALI issued an aggregate ₱2.4 billion in 5-, 7- and 10-year FXCNs to various financial institutions and retail investors that will mature on various dates up to 2019. The FXCNs bear fixed interest rates ranging from 7.76% to 8.90%. ₱220.0 million and ₱830.0 million notes due in 2014 and 2016, respectively, were prepaid on January 28, 2013.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026

In January 2011, ALI issued ₱10.0 billion FXCNs to various financial institutions and retail investors that 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. ₱1.95 billion note due in 2016 was prepaid on January 19, 2013. In 2014, ALI paid ₱50.8 million for the matured portion of the loan.

Philippine Peso 10-year FRCN due 2022

In December 2012, ALI executed a ₱5.0 billion committed Corporate Note facility with a local bank, of which an initial ₱3.5 billion was drawn in 2012. The balance of ₱1.5 billion was subsequently drawn in January 2013. The Corporate Notes currently bear a fixed interest rate of 4.50% and will mature on the third month succeeding the tenth anniversary of the initial drawdown date.

Philippine Peso-denominated Long-term Loans

In August to September 2015, ALI assumed an aggregate of ₱15.4 billion in various long-term facilities of ALI 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.

Philippine Peso 5.0 Billion Fixed Rate Bonds due 2021

In June 2014, CHI issued a total of ₱5.0 billion bonds due 2021 at a fixed rate equivalent to 5.32% p.a. The Bonds have been rated PRS “AAA” by PhilRatings.



The loan agreements on long-term debt of the Parent Company and certain subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guaranties, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2015 and 2014.

Total interest paid amounted to ₱13.3 billion in 2015, ₱12.0 billion in 2014 and ₱10.1 billion in 2013.

Interest capitalized by subsidiaries amounted to ₱629.9 million in 2015, ₱453.7 million in 2014, and ₱580.2 million in 2013. The average capitalization rate is 7.02% in 2015, 7.01% to 8.78% in 2014, and 4.16% to 7.06% in 2013.

21. Other Noncurrent Liabilities

This account consists of the following:

	2015	2014
	(In Thousands)	
Deposits and deferred credits	₱17,027,323	₱15,450,637
Estimated liability on property developments	8,272,014	3,999,529
Retentions payable	5,122,306	3,925,798
Provisions (Note 36)	1,003,512	1,013,825
Liability for purchased land	110,475	203,329
Others	703,142	1,047,793
	₱32,238,772	₱25,640,911

Deposits and deferred credits

Deposits include rental deposits that serve as security for any damages to the leased property and which will be refunded at the end of lease term and guaranty deposits from customers for the set-up of new connections which will be refunded to the customers upon termination of the customers' water service connection or at the end of the concession, whichever comes first.

Deposits are initially recorded at fair value, which was obtained by discounting future cash flows using the applicable rates of similar types of instruments. The difference between the cash received and its fair value is recorded as deferred credits.

Deferred credits also include prepayments received from customers before the completion of delivery of goods or services.

Estimated liability on property developments

Estimated liability on property development are estimates for additional project cost to be incurred for project development.

Retentions payable

Retentions payable pertains to amount withheld by the Group from the contractors' progress billings which will be later released after the guarantee period, usually one year after the completion of the project. The retention serves as a security from the contractor should there be defects in the project.



Provisions

Provisions relate to pending unresolved claims and assessments. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these claims and assessments.

Others

Other liabilities mainly include nontrade payables (see Note 31) and subscription payable. It also includes IMI Group's Subcontracting Service Agreement with a local customer. The current and noncurrent portion of the advances from the local customer follow (amounts in thousands):

	2015		2014	
	(In US\$)	(In Php)	(In US\$)	(In Php)
Total outstanding advances from the local customers	\$1,440	₱67,784	\$1,742	₱77,902
Less: Current portion	317	14,920	299	13,371
Noncurrent portion	\$1,123	₱52,864	\$1,443	₱64,531

*Translated using the closing exchange rate at the reporting date (US\$1:₱47.06 in 2015 and US\$1:₱44.72 in 2014)

The current portion is included under "Accounts payable and accrued expenses".

22. Equity

Information about the Parent Company's common and preferred shares follow:

	Common shares		Preferred A shares		Preferred B shares		Preferred C shares		Voting Preferred shares	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(In Thousands, except for par value figures)									
Authorized shares	900,000	900,000	12,000	12,000	58,000	58,000	40,000	40,000	200,000	200,000
Par value per share	₱50	₱50	₱100	₱100	₱100	₱100	₱100	₱100	₱1	₱1
Issued and subscribed shares	619,436	619,436	-	-	47,000	20,000	-	-	200,000	200,000
Outstanding shares										
At beginning of year	619,436	599,438	-	-	47,000	20,000	-	-	200,000	200,000
Issued new common shares	-	18,779	-	-	-	-	-	-	-	-
Issued shares on exercise of share options	175	451	-	-	-	-	-	-	-	-
Subscribed shares	-	768	-	-	-	-	-	-	-	-
Treasury stock										
Reissuance	-	-	-	-	-	27,000	-	-	-	-
Acquisition/Redemption	-	-	-	-	-	-	-	-	-	-
At end of year	619,611	619,436	-	-	47,000	47,000	-	-	200,000	200,000

Common Shares

The common shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that at anytime at least 60% of the outstanding capital stock shall be owned by citizens of the Philippines or by partnerships, associations or corporations with 60% of the voting stock or voting power of which is owned and controlled by citizens of the Philippines.

In July 2013, the SEC approved the amendments to the Parent Company's Articles of Incorporation for the exemption of 100 million common shares from the exercise of pre-emptive rights of holders of common shares. These shares are allocated to support the financing activities of the Parent Company.

In November 2014, the Parent Company issued 18,779,100 common shares at a price of ₱660 per share through top-up placement. The top-up placement entails issuance by the Parent Company of equal number of shares at the same price, with Mermac Inc. as the seller in the placement tranche and subscriber in the subscription tranche. The top-up placement resulted to



recognition of the Parent Company of ₱939.0 million and ₱11.3 billion increase in common stock and APIC net of direct expenses, respectively.

All proceeds of the placement were remitted to the Parent Company to support its investments in power and infrastructure projects.

Preferred Shares

Preferred A shares

On November 11, 2008, the Parent Company filed a primary offer in the Philippines of its Preferred A shares at an offer price of ₱500 per share to be listed and traded on the Philippine Stock Exchange (PSE). The Preferred A shares are cumulative, nonvoting and redeemable at the option of the Parent Company under such terms that the BOD of the Parent Company may approve at the time of the issuance of shares and with a dividend rate of 8.88% per annum. The Preferred A shares may be redeemed at the option of the Parent Company starting on the fifth year.

On June 28, 2013, the BOD of Parent Company approved and authorized the exercise of the call option on Preferred A shares effective November 25, 2013 based on the dividend rate of 8.88% per annum. The redemption of Preferred A shares is presented as part of treasury stock.

Preferred B shares

In July 2006, the Parent Company filed a primary offer in the Philippines of its Preferred B shares at an offer price of ₱100 per share to be listed and traded in PSE. The Preferred B shares are cumulative, nonvoting and redeemable at the option of the Parent Company under such terms that the BOD may approve at the time of the issuance of shares and with dividend rate of 9.4578% per annum. The Preferred B shares may be redeemed at the option of the Parent Company starting on the fifth year from the date of issuance.

On March 14, 2011, the BOD of the Parent Company approved and authorized the exercise of the call option on Preferred B shares effective July 21, 2011 based on the dividend rate of 9.5% per annum. The redemption of Preferred B shares is presented as part of treasury stock.

Preferred B Series 1 shares

In September 2013, the BOD of the Parent Company approved and authorized the re-issuance and offering of the Preferred B Series 1 shares from its 58,000,000 authorized Class "B" preferred treasury capital for an aggregate amount of ₱10 billion. The Preferred B Series 1 shares were offered at a price of ₱500 per share with a fixed quarterly dividend rate of 5.25% per annum.

Preferred B Series 2 shares

On August 22, 2014, the BOD of the Parent Company approved and authorized the re-issuance and offering of the Preferred B Series 2 shares, which comprise a second and separate series from the Parent Company's outstanding 5.25% Preferred B Series 1 shares, from its 58,000,000 authorized Class "B" preferred treasury share capital, for an aggregate amount of ₱13.5 billion. The Preferred B Series 2 shares were offered at a price of ₱500 per share with a fixed quarterly dividend rate of 5.575%. The reissuance resulted to the Parent Company recognizing ₱10.7 billion APIC net of direct expenses from re-issuance.

Preferred C shares

Preferred C shares are cumulative, non-participating, non-voting and redeemable at the option of the Parent Company under such terms that the BOD of the Parent Company may approve at the time of the issuance of the shares.

Voting Preferred shares

On March 15, 2010, the BOD of the Parent Company approved the reclassification of 4.0 million unissued common shares with a par value of ₱50 per share into 200.0 million Voting Preferred shares with a par value of ₱1 per share and the amendment of the Parent Company's amended



Articles of Incorporation to reflect the reclassification of the unissued common shares into new Voting Preferred shares.

On April 16, 2010, the Parent Company's stockholders ratified the reclassification.

On April 22, 2010, the SEC approved the amendments to the Parent Company's Articles of Incorporation embodying the reclassification of the unissued common shares to new Voting Preferred shares.

The Voting Preferred shares are cumulative, voting and redeemable at the option of the Parent Company under such terms that the BOD of the Parent Company may approve at the time of the issuance of shares and with a dividend rate of 5.3% per annum. In 2013, the dividend rate was repriced to 1.875%.

Treasury shares

On November 6, 2014, the Parent Company re-issued 2.7 million Preferred B shares held as treasury shares. The re-issuance increased total outstanding preferred B shares to 47.0 million.

The details of the Parent Company's paid-in capital follow:

2015

	Preferred Stock - A	Preferred Stock - B	Preferred Stock - Voting	Common Stock	Subscribed	Additional Paid-in Capital	Subscription s Receivable	Total Paid-in Capital
					(In Thousands)			
At January 1, 2015	₱1,200,000	₱5,800,000	₱200,000	₱30,799,997	₱171,810	₱36,115,565	(₱715,867)	₱73,571,505
Exercise/cancellation of ESOP/ESOWN	—	—	—	8,750	—	201,144	137,923	347,817
At December 31, 2015	₱1,200,000	₱5,800,000	₱200,000	₱30,808,747	₱171,810	₱36,316,709	(₱577,944)	₱73,919,322

2014

	Preferred Stock - A	Preferred Stock - B	Preferred Stock - Voting	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital
				(In Thousands)				
At January 1, 2014	₱1,200,000	₱5,800,000	₱200,000	₱29,821,726	₱150,176	₱13,432,506	(₱438,279)	₱50,166,129
Exercise/cancellation of ESOP/ESOWN	-	-	-	22,530	38,420	660,682	(277,588)	444,044
Reclassification of ESOWN shares	-	-	-	16,786	(16,786)	-	-	-
Issuance of new common shares	-	-	-	938,955	-	11,298,256	-	12,237,211
Reissuance of treasury stocks	-	-	-	-	-	10,724,121	-	10,724,121
At December 31, 2014	₱1,200,000	₱5,800,000	₱200,000	₱30,799,997	₱171,810	₱36,115,565	(₱715,867)	₱73,571,505

2013

	Preferred Stock - A	Preferred Stock - B	Preferred Stock - Voting	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital
					(In Thousands)			
As of January 1, 2013	₱1,200,000	₱5,800,000	₱200,000	₱29,783,010	₱160,652	₱8,457,871	(₱481,601)	₱45,119,932
Exercise/cancellation of ESOP/ESOWN	—	—	—	27,516	724	215,776	43,322	287,338
Reclassification of ESOWN shares	—	—	—	11,200	(11,200)	—	—	—
Reissuance of treasury stock	—	—	—	—	—	9,558,859	—	9,558,859
Redemption of preferred shares	—	—	—	—	—	(4,800,000)	—	(4,800,000)
As of December 31, 2013	₱1,200,000	₱5,800,000	₱200,000	₱29,821,726	₱150,176	₱13,432,506	(₱438,279)	₱50,166,129



The movements in the Parent Company's outstanding number of common shares follow:

	2015	2014	2013
	(In Thousands)		
At January 1	619,436	599,438	593,689
Exercise of ESOP/ESOWN	175	1,219	565
Issuance of new common shares	—	18,779	—
Reissuance of Treasury stock	—	—	5,184
At December 31	619,611	619,436	599,438

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Parent Company's track record of registration of securities.

				2015	2014
	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities as of December 31	Number of holders of securities as of December 31
Common shares	200,000,000*	₱1.00 par value**; ₱4.21 issue price	July 1976	6,791	6,891
Preferred A shares	12,000,000	₱100 par value; ₱500 issue price	November 2008	—	—
Preferred B shares	18,000,000	₱100 par value; ₱500 issue price	July 2006	—	—
Preferred B shares- Series 1****	20,000,000	₱100 par value; ₱500 issue price	October 2013	18	16
Preferred B shares- Series 2*****	20,000,000	₱100 par value; ₱500 issue price	October 2014	9	3
Voting preferred shares	200,000,000	₱1 par value; ₱1 issue price	March 2010	1,010	1,007

*Initial number of registered shares only.

**Par value now is ₱50.00

***The Preferred A shares were fully redeemed on November 25, 2013.

****The Preferred B-Series 1 shares were re-issued on November 15, 2013.

*****The Preferred B-Series 2 shares were re-issued on November 6, 2014.

Retained Earnings

Retained earnings include the accumulated equity in undistributed net earnings of consolidated subsidiaries and associates and joint ventures accounted for under the equity method amounting to ₱92,897.0 million, ₱77,702.0 million and ₱64,307.3 million as of December 31, 2015, 2014 and 2013, respectively, which are not available for dividend declaration by the Parent Company until these are declared by the investee companies.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

In accordance with the SRC Rule 68, as Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration as of December 31, 2015 and 2014 amounted to ₱29.3 billion and ₱27.0 billion, respectively.



Dividends consist of the following:

	2015	2014	2013
	(In Thousands, except dividends per share)		
Dividends to common shares			
Cash dividends declared during the year	₱3,568,930	₱2,927,822	₱2,877,477
Cash dividends per share	5.76	4.80	4.80
Dividends to equity preferred shares declared during the year			
Cash dividends to Preferred B shares	1,277,625	1,277,625	525,000
Cash dividends to Voting Preferred shares	3,750	3,750	3,750

Capital Management

The primary objective of the Parent Company's capital management policy is to ensure that it maintains a robust balance sheet in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2015, 2014 and 2013.

The Parent Company monitors capital using a gearing ratio of debt to equity, net debt to equity and loan-to-value ratio. Debt consists of short-term and long-term debt. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments and restricted cash. The Parent Company considers as capital the equity attributable to equity holders of the Parent Company.

	2015	2014
	(In Thousands)	
Short-term debt	₱24,387,515	₱21,084,269
Long-term debt	238,953,179	237,760,458
Total debt	263,340,694	258,844,727
Less:		
Cash and cash equivalents	82,154,542	90,769,525
Short-term investments	2,052,288	1,102,703
Restricted cash	—	8,273,200
Net debt	₱179,133,864	₱158,699,299
Equity attributable to owners of the parent	₱208,657,359	₱185,664,151
Debt to equity	126.2%	139.4%
Net debt to equity	85.9%	85.5%

The Parent Company is not subject to externally imposed capital requirements.



23. Other Income and Costs and Expenses

Other income consists of:

	2015	2014	2013
	(In Thousands)		
Revenue from rehabilitation works (Note 14)	₱5,085,532	₱3,285,900	₱5,160,312
Gain on sale of investments (Notes 11 and 12)	2,377,381	2,633,329	190,296
Connection fees	622,013	496,377	646,109
Collateral income on automotive sales	552,249	333,284	284,118
Revenue from management contracts	437,442	645,087	624,424
Mark to market gain on financial assets at FVPL and derivatives (Notes 9 and 31)	243,452	392,002	1,345,800
Dividend income	229,362	224,767	173,031
Foreign exchange gain/(loss) (Note 31)	97,424	(177,404)	113,226
Gain on sale of other assets	76,888	711,001	19,382
Insurance claim	46,034	40,131	23,891
Recoveries of accounts written off (Note 7)	—	49,807	404,595
Others	1,529,160	545,973	321,671
	₱11,296,937	₱9,180,254	₱9,306,855

“Others” mainly includes income derived from ancillary services and miscellaneous income of consolidated subsidiaries. This include, among others, marketing fees; integrated used water and other water services (e.g., sale of packaged water, septic sludge disposal and bacteriological water analysis); and income from sale of scrap. Others include gain on reversion of land from a property previously donated by the Parent Company amounting to ₱575.1 million (see Note 11).

Details of costs of rendering services included in the consolidated statement of income are as follows:

	2015	2014	2013
	(In Thousands)		
Personnel costs (Notes 27 and 30)	₱10,301,230	₱9,466,055	₱8,657,801
Depreciation and amortization (Notes 13, 14, 15 and 16)	8,023,955	7,981,039	7,526,263
Rental, utilities and supplies	6,504,930	6,223,666	6,468,249
Taxes and licenses	2,272,950	1,821,705	2,028,640
Repairs and maintenance	2,032,569	1,664,722	888,370
Contract labor	1,890,244	353,468	508,047
Professional and management fees	1,404,319	5,980,762	4,246,499
Transportation and travel	290,891	164,247	658,799
Insurance	150,462	230,036	212,692
Others	701,695	609,982	291,326
	₱33,573,245	₱34,495,682	₱31,486,686

“Others” include various costs such as communication, dues and fees and miscellaneous overhead, among others.



General and administrative expenses included in the consolidated statement of income are as follows:

	2015	2014	2013
	(In Thousands)		
Personnel costs (Notes 27 and 30)	₱9,201,418	₱8,451,329	₱7,476,239
Taxes and licenses	1,421,262	1,203,119	938,430
Depreciation and amortization (Notes 13, 14, 15 and 16)	1,419,134	1,177,156	1,117,642
Professional fees	1,216,319	1,171,376	1,021,964
Advertising and promotions	794,388	540,951	375,341
Rental and utilities	597,187	481,518	453,620
Contract labor	510,354	314,895	153,342
Transportation and travel	408,002	415,097	325,861
Repairs and maintenance	282,804	276,481	236,864
Donations and contributions	274,036	360,208	358,441
Provision for doubtful accounts (Note 7)	261,066	182,383	686,094
Entertainment, amusement and recreation	239,625	159,620	76,551
Postal and communication	218,722	203,296	207,042
Insurance	201,168	203,413	160,066
Supplies	144,136	124,169	159,782
Dues and fees	81,979	93,359	89,352
Provision for inventory obsolescence (Note 8)	74,435	149,077	105,702
Research and development	28,534	47,133	94,431
Others	677,672	276,420	577,077
	₱18,052,241	₱15,831,000	₱14,613,841

“Others” include various expenses such as management fees, marketing, collection charges, sales commission, bank service charge, periodicals and miscellaneous operating expenses.

Depreciation and amortization expense included in the consolidated statement of income follows:

	2015	2014	2013
	(In Thousands)		
Included in:			
Costs of sales and services	₱8,023,955	₱7,981,039	₱7,526,263
General and administrative expenses	1,419,134	1,177,156	1,117,642
	₱9,443,089	₱9,158,195	₱8,643,905

Personnel costs included in the consolidated statement of income follow:

	2015	2014	2013
	(In Thousands)		
Included in:			
Costs of sales and services	₱10,301,230	₱9,466,055	₱8,657,801
General and administrative expenses	9,201,418	8,451,329	7,476,239
	₱19,502,648	₱17,917,384	₱16,134,040



Interest and other financing charges consist of:

	2015	2014	2013
	(In Thousands)		
Interest expense on:			
Short-term debt	₱882,759	₱131,939	₱914,214
Long-term debt	11,247,615	10,439,736	7,552,952
Amortization of service concession obligations and deposits	558,434	576,757	613,142
Amortization of discount on long-term debt	267,540	313,730	274,518
Others	320,066	471,619	1,156,606
	₱13,276,414	₱11,933,781	₱10,511,432

“Others” include, among others, various charges such as, pretermination costs, bond offering fees, and credit card charges.

Other charges consist of:

	2015	2014	2013
	(In Thousands)		
Cost of rehabilitation works (Note 15)	₱5,085,532	₱3,285,900	₱5,161,312
Provision for impairment losses on:			
Intangible assets (Notes 16 and 24)	182,298	335,731	31,830
AFS financial assets (Note 10)	61,701	66,834	228,580
Property, plant and equipment (Note 14)	88,753	–	222
Investment in associate (Note 12)	546,333	–	–
Investment properties (Note 13)	–	–	400
Write offs and other charges	–	2,080	–
Others	5,857	138,475	58,472
	₱5,970,474	₱3,829,020	₱5,480,816

“Others” include cost and expenses relating to income derived from ancillary services of subsidiaries as shown in other income.

24. Business Combinations and Transactions with Non-controlling Interests

2015 Acquisitions

University of Nueva Caceres

On July 28, 2015, AEI acquired 59% ownership interest in the shares of stock of UNC amounting to ₱450 million. UNC is located in Naga, Camarines Sur and was founded in 1948 as the first university in Southern Luzon outside Manila. UNC has around 7,000 students, with many well-recognized programs in arts and sciences, business and accountancy, computer studies, criminal justice, education, engineering and architecture, graduate studies, law, nursing and basic education (K-10).



The purchase price allocation was determined using the June 30, 2015 financial information resulting into zero goodwill. The purchase price has been allocated based on management's estimates after considering independent appraisals of the fair values of the acquired identifiable assets and assumed liabilities at the date of acquisition as follows (amount in thousands):

Assets	
Cash	₱148,550
Receivables	50,680
Prepaid expense and other current assets	1,170
Properties and equipment	836,060
Other noncurrent assets	4,360
	<u>1,040,820</u>
Liabilities	
Accounts payable and accrued expenses	57,870
Income tax payable	18,780
Special funds and deposits payable	157,490
Pension liability	27,860
Deferred income	22,580
	<u>284,580</u>
Net assets	<u>756,240</u>
Goodwill	—
Non-controlling interest	307,660
Acquisition cost	<u><u>₱448,580</u></u>

The gross amount and fair value of the receivables amounts to ₱66.4 million and ₱50.7 million, respectively. From the date of acquisition, the Group's share in the revenue and net income of UNC amounted to ₱85.7 million and ₱23.3 million, respectively.

Monte Solar Energy, Inc.

On September 8, 2015, AC Energy signed the Subscription and Shareholder's Agreement with Bronzeoak Philippines, Inc. for the development, construction and operation of a solar power farm in Bais City, Negros Oriental. The project will be owned and operated by Monte Solar Energy, Inc., (Monte Solar) a special purpose vehicle, and shall be undertaken in two phases. The first phase is for an 18MW solar power plant with total project cost of ₱1.3 billion and is targeted for completion by March 2016. The second phase is for the expansion of the initial 18MW solar power farm to up to 40MW.

AC Energy acquired 96.0% economic interest in Monte Solar. Below is a summary of the fair value of assets acquired and liabilities assumed as of the date of the acquisition (in thousands):

Assets	
Cash	₱304
Input VAT	306
Properties and equipment - net	5,740
Security deposits	134
	<u>6,484</u>
Liabilities	
Trade and other payables	1,628
Advances from affiliates	5,757
	<u>7,385</u>
Net liability	<u>(901)</u>
Goodwill	1,585
Non-controlling interest	36
Acquisition cost	<u><u>₱720</u></u>



Cash on acquisition is as follows (in thousands):

Cash acquired from Monte Solar Energy, Inc.	₱304
Cash paid	(720)
Net cash flow	(₱416)

ALO Prime Realty Corporation (APRC) formerly Aegis People Support Realty Corporation

On April 8, 2015, ALI purchased all of the 8,200,000 common shares of Equinox Technoparks Ltd, Inc. in APRC, which is a PEZA-registered entity, owns the Aegis building along Villa Street, Cebu IT Park, Lahug, Cebu City. The building is a certified LEED-Gold Office with a gross leasable area of 18,092 square meters and is largely occupied by Teleperformance under a long-term lease.

The purchase price allocation has been prepared on a preliminary basis as the fair values are being finalized. The following are the preliminary fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash	₱15,580
Trade and other receivables	305,070
Other current assets	5,740
Investment properties	1,584,929
Other noncurrent assets	4,095
	1,915,414
Liabilities	
Accounts and other payables	1,336,692
Other current liabilities	56,962
Deferred tax liabilities	8,083
	1,401,737
Net asset	513,677
Goodwill	—
Acquisition cost	₱513,677

The fair value of the trade and other receivables approximate their carrying amounts. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From April 8 to December 31, 2015, ALI's share in APRC's revenue and net income amounted to ₱141.1 million and ₱72.3 million, respectively. If the combination had taken place at the beginning of 2015, ALI's share in APRC's total revenue and net income would have been ₱189.8 million and ₱94.8 million, respectively.

Island Transvoyager, Inc. (ITI)

On December 1, 2015, ALI Capital Corp. (formerly Varejo Corp.), a wholly owned subsidiary of ALI, acquired 100% ownership interest in ITI following the purchase of all outstanding shares from existing shareholders, in the amount of ₱15.0 million.

ITI was incorporated on October 2, 2002 with the primary purpose of carrying on the general business of a common carrier and/or private carrier. It was granted the Air Carrier Operating Certificate by the Air Transportation Office to enable it to operate as a scheduled domestic air transportation service provider.

ITI is the only airline commercially flying from Manila to Lio in El Nido, Palawan. On November 26, 2015, ITI launched "AirSwift" as its new brand and introduced its new Cebu-El Nido-Cebu route. As of end-2015, it currently operates a fleet of two (2) ATR 42-500 that can seat a maximum of 50 passengers each, and operates 3x-4x daily flights to El Nido. It is also expected to be a key



player in the industry as it flies to more tourism destinations not serviced by the bigger commercial airlines.

If the combination had taken place at the beginning of 2015, ALI's share in ITI's total revenue and net income would have been ₱434.80 million and ₱0.19 million, respectively.

2014 Acquisitions

GN Power Kauswagan, Ltd. Co.

On July 30, 2013, ACEHI signed a Limited Partnership Agreement (LPA) with Power Partners Ltd. Co. (PPLC) to build and operate a 4x135 MW coal-fired power facility in Kauswagan, Lanao del Norte. Along with this, AC Energy GP Corporation (AEGC), a wholly owned subsidiary of ACEHI was incorporated. AEGC and ACEHI will be the general partner and limited partner, respectively, for the development company related to the partnership. PPLC on the other hand incorporated GNPower Holdings Philippines GP Corp. (GPHP). GPHP and PPLC will be the general partner and limited partner, respectively, for the development company related to the partnership. Accordingly, ACEHI and PPLC each subscribed to 49.6% Class A Partnership Interest and AGPC and GPHP each subscribed to 0.40% Class A Partnership interest in KPHLC.

On November 12, 2013, KPHLC, together with Kauswagan Power GP Corp. (KPGPC), established GN Power Kausawagan, Ltd. Co. (GNPK) as the project company for the power facility. GNPK is 87.5% owned by KPGPC and the balance is owned by KPHLC.

As agreed among the partners of KPHLC, all equity required for the project shall be provided by ACEHI. Accordingly, ACEHI infused capital on various dates in 2014 in the form of Class B Limited Partnership interest. The capital infusion enabled ACEHI to obtain 98.74% economic interest in KPHLC thereby obtaining control over KPHLC. ACEHI management assessed that control over KPHLC was obtained in December 2014. The purchase price allocation have been prepared in a preliminary basis.

Below is a summary of the fair values of the assets acquired and liabilities assumed as of the date when control was obtained (amounts in thousands):

Assets	
Cash	₱149,949
Receivables	1,484
Loans receivable	1,399
Other current assets	3,014
Input value-added taxes	15,109
Property and equipment	22,357
Other noncurrent assets	365,243
	558,555
Liabilities	
Accounts payable and accrued expenses	69,978
Notes payable	74,678
	144,656
Net assets	413,899
Goodwill	10,982
Acquisition cost	₱424,881



The cost of the acquisition is determined as follows (amount in thousands):

Cash paid	₱424,881
Fair value of equity interest in KPHLC held before business combination	-
Fair value of non-controlling interest in KPHLC	-
	<u>₱424,881</u>

The fair value of the existing ownership interest in KPHLC was determined to be nil due to net liability position of KPHLC as of acquisition date.

Cash on acquisition is as follows (amounts in thousand):

Cash acquired from KPHLC	₱149,949
Cash paid	(424,881)
Net cash flow	<u>(₱274,932)</u>

From the date of acquisition, the Group's share in the revenue and net loss of KPHLC amounted to nil. If the combination had taken place at the beginning of the year, the Group's total revenue would have increased ₱4.4 million and net income would have decreased ₱21.2 million.

In 2015, ACEHI finalized the purchase price allocation and there were no changes to fair market value of the assets acquired and liabilities assumed.

Transactions with Non-controlling Interest

Parent Company

MWC

In 2015, the Group acquired 77,629,900 MWC shares amounting to ₱1.9 billion. The transaction increased the ownership interest of the Group in MWC from 32.2% to 35.3% as of December 31, 2015.

The difference between the fair value of the consideration paid and the amount of which the controlling interest is adjusted amounting to ₱675.4 million is recognized in equity under "Equity Reserve".

ALI Group

North Triangle Depot Commercial Corporation (NTDCC)

On December 10, 2014, ALI purchased its proportionate share in Anglo Philippine Holdings Corporation's (APHC) 15.79% ownership interest in NTDCC for ₱738.3 million which consists of 539,249 common shares and 2,265,507 preferred shares. This increased ALI's ownership interest in NTDCC from 49.29% to 58.53% of the total outstanding capital stock of NTDCC which owns and operates the Trinoma Commercial Centre in North Triangle, Quezon City.

On December 22, 2014, ALI purchased the shares of Allante Realty and Development Corporation (ARDC) and DBH Incorporated (DBH) in NTDCC for ₱211.2 million which comprises of 154,287 common shares and 648,196 preferred shares for each company. This resulted to an increase in ALI's ownership interest in NTDCC from 49.29% to 63.82% of the total outstanding capital stock of NTDCC.

On February 6, 2015, ALI purchased the remaining interest of APHC in NTDCC consisting of 382,072 common shares and 1,605,169 preferred shares amounting to ₱523.0 million. The transaction increased ALI's ownership interest from 63.82% to 70.36% of the total outstanding capital stock of NTDCC.



ALI subsequently purchased the combined remaining interest of ARDC and DBH in NTDC consisting of 167,548 common shares and 703,904 preferred shares amounting to ₱229.0 million which increased ALI's ownership interest in NTDC from 70.36% to 73.24% of the total outstanding capital stock of NTDC. This acquisition is aligned with ALI's thrust of expanding its leasing business.

Philippine Intergrated Energy Solutions, Inc. (PhilEnergy)

ALI acquired Mitsubishi Corporation's (MC) 40% equity ownership interest in PhilEnergy which effectively made PhilEnergy a wholly owned subsidiary ALI. The transaction which was executed last March 13, 2014 through a Share Purchase Agreement involving 2,957,200 shares held by MC in PhilEnergy amounting to ₱322.3 million.

Asian Conservation Company, Inc. (ACCI)

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

The agreement resulted in ALI effectively obtaining 100% interest in TKPI and TKDC. A total of ₱2.0 billion was paid to obtain the 100% interest in ACCI. The carrying amount of the non-controlling interest is reduced to nil as ALI already owns 100% share in TKDC and TKPI. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity under "Equity Reserve" amounting to ₱586.0 million.

APPHC and APPCo

On April 15, 2013, ALI entered into a Sale and Purchase Agreement with Global Technologies International Limited (GTIL) to acquire the latter's 32% stake in APPCo for ₱3,520.0 million. Prior to the acquisition, ALI has 68% effective interest in APPCo.

The carrying amount of the non-controlling interests is reduced to nil as APPCo became a wholly-owned subsidiary of ALI. The difference between the fair value of the consideration paid and the amount by which the non-controlling interest is adjusted is recognized in equity under "Equity Reserve" amounting to ₱2,722.6 million.

IMI Group

PSi

On January 9, 2013, pursuant to the second amendment to the Investors' Agreement, the parties received the exercise notice which is one of the conditions for the completion of the sale and purchase of the option shares.

On March 12, 2013, the Deeds of Assignment have been executed and the stock certificates have been delivered. The exercise of the option rights increased IMI's ownership interest in PSi from 55.78% to 83.25%.

On January 5, 2015, Deeds of Assignment of Shares effective December 29, 2014 were executed between IMI and the minority shareholders of PSi namely Narra Venture and Narra Associate II Limited for the purchase of the remaining 16.75% interest in PSi for a total consideration of US\$0.5 million. The purchase of the remaining minority shares resulted to the 100% ownership of IMI in PSi.



Details of the transactions are as follows (amounts in thousands):

	2014		2013	
Change in ownership interest	83.25% to 100%		55.78% to 83.25%	
Non-controlling interests acquired	(\$3,145)	(P140,644)	(\$4,541)	(P201,598)
Consideration paid to non-controlling shareholders	\$500	P22,360	\$125 ^a	P5,549
Value of the option exercised	—	—	2,857	126,837
Total consideration	500	22,360	2,982	132,386
Total amount recognized against "Equity Reserves"	(\$3,645)	P163,004	(\$7,523)	P333,984

^a Share of the Parent Company in the exercise price

Microenergia

In October 2014, IMI BG acquired the remaining 30% ownership interest in Microenergia for a total consideration of US\$138,622.

The details of the transaction are as follow (amounts in thousands):

Non-controlling interest acquired	US\$200	P8,974
Consideration paid to the non-controlling shareholder	(138)	(6,211)
Total amount recognized in "Equity Reserves"	US\$62	P2,763

*Translated using the exchange rate at the reporting date (US\$1:P47.06 in December 31, 2015).

25. Income Tax

The components of the Group's deferred taxes are as follows:

Net deferred tax assets

	2015	2014
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	P5,334,046	P4,054,553
Accrued expenses	1,492,455	89,224
Allowance for probable losses	1,208,469	1,051,452
Service concession obligation	891,967	855,050
Retirement benefits	420,325	1,593,628
Unrealized foreign exchange loss	63,012	47,028
Allowance for doubtful accounts	24,917	36,013
Fair value adjustment on property, plant and equipment	20,538	23,743
Allowance for inventory obsolescence	19,498	18,339
Advanced rental	4,620	130,745
Remeasurement Loss	182,319	30,588
Others	621,310	684,781
	10,283,476	8,615,144
Deferred tax liabilities on:		
Capitalized interest and other expenses	(532,862)	(557,149)
Unrealized foreign exchange gain	—	(2,305)
Others	(7,817)	(670)
	(540,679)	(560,124)
Net deferred tax assets	P9,742,797	P8,055,020



Net deferred tax liabilities

	2015	2014
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	₱298,848	₱131,721
NOLCO	189,630	42,006
Fair value adjustments on:		
Long-term debt	125,060	193,834
AFS financial asset	1,116	1,116
Allowance for probable losses	89,213	71,020
Unrealized foreign exchange loss	27,662	–
Retirement benefits	26,106	39,396
Advanced rental	8,849	25,891
Others	21,569	27,369
	788,053	532,353
Deferred tax liabilities on:		
Fair value adjustments on:		
Service concession assets	(4,294,580)	(4,498,258)
Land and improvements	(625,490)	(625,490)
Property, plant and equipment	(239,778)	(472,395)
Service concession obligation	(34,091)	(34,091)
Customers' guaranty and other deposits	(18,691)	(18,691)
Difference between tax and book basis of accounting for real estate transactions	(1,423,376)	(1,258,928)
Prepaid expenses	(119,525)	(134,665)
Concession finance receivable	(68,677)	(67,874)
Capitalized interest and other expenses	(64,450)	(63,801)
Unrealized gain on AFS financial assets	(15,989)	(84,375)
Unrealized foreign exchange gain	(11,819)	(4,141)
Unrealized fair value gain less costs to sell of biological assets	(6,938)	(7,142)
Service concession obligation	(4,823)	(2,495)
Others	(300,331)	(2,640)
	(7,228,558)	(7,274,986)
Net deferred tax liabilities	(₱6,440,505)	(₱6,742,633)

The Group has NOLCO amounting to ₱14.6 billion and ₱13.1 billion in 2015 and 2014, respectively, on which deferred tax have not been recognized. Further, deferred tax assets from the excess MCIT over regular corporate income tax amounting to ₱46.6 million in 2015 and ₱83.1 million in 2014, respectively, were also not recognized, since management believes that there could be no sufficient taxable income against which the benefits of the deferred tax assets may be utilized.

As of December 31, 2015, NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities, respectively, are as follows:

Year incurred	Expiry Date	NOLCO	MCIT
		(In Thousands)	
2013	2016	4,076,216	32,167
2014	2017	5,767,695	28,670
2015	2018	4,923,841	19,606
		₱14,767,752	₱80,443



As of December 31, 2015 and 2014 deferred tax liabilities have not been recognized on the undistributed earnings and cumulative translation adjustment of foreign subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future. The undistributed earnings and cumulative translation adjustment amounted to ₱3.7 billion and ₱5.1 billion as of December 31, 2015 and 2014, respectively.

The reconciliation between the statutory and the effective income tax rates follows:

	2015	2014	2013
Statutory income tax rate	30%	30.00%	30.00%
Tax effects of:			
Nontaxable share of profit of associates and joint ventures	(9.54)	(9.79)	(9.84)
Nondeductible expenses	0.78	1.44	–
Interest income and capital gains subjected to lower rates	(0.72)	(2.03)	(1.61)
Income under income tax holiday	(0.17)	(0.31)	(0.48)
Others	(1.31)	0.83	3.55
Effective income tax rate	19.04%	20.14%	21.62%

The income tax on profits of overseas subsidiaries have been calculated at the rates of tax prevailing in the countries where such subsidiary operates, based on existing legislation, interpretations and practices in respect thereof.

Revenue Regulations (RR) No. 16-2008

RR No. 16-2008 provided the implementing guidelines for Section 34 of Republic Act No. 9504 on the use of the Optional Standard Deduction (OSD) for corporations. The OSD allowed shall be an amount not exceeding 40% of the gross income. Gross income earned refers to gross sales or gross revenue derived from any business activity, net of returns and allowances, less cost of sales or direct costs but before any deduction is made for administrative expenses or incidental losses. This was applied by MWC and for the years ended December 31, 2015, 2014, and 2013.

MWC availed of the income tax holiday granted for Board of Investments (BOI) registered projects, the Antipolo Water Supply Project in 2011 and East La Mesa (Rodriguez) Water Treatment Plant Project in 2012.

The tax rate of 18% for the years in which OSD is projected to be utilized was used in computing the deferred income taxes on the net service concession obligation starting 2009.

The availment of OSD affected the recognition of several deferred tax assets and liabilities, in which the related income and expenses are not considered in determining gross income for income tax purposes. MWC forecasts that it will continue to avail of the OSD, such that the manner by which it will recover or settle the underlying assets and liabilities, for which the deferred tax assets and liabilities were initially recognized, would not result in any future tax consequence under OSD.

Registration with the Philippine Export Zone Authority (PEZA) and Board of Investments (BOI) Incentives

Some activities of certain local subsidiaries are registered with the PEZA and BOI. Under the registration, these subsidiaries are entitled to certain tax and nontax incentives, which include, but are not limited to, income tax holiday (ITH) and duty-free importation of inventories and capital equipment. Upon the expiration of the ITH, the subsidiaries will be liable for payment of a five percent (5%) tax on gross income earned from sources within the PEZA economic zone in lieu of payment of national and local taxes.



26. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

	2015	2014	2013
	(In Thousands, except EPS figures)		
Net income attributable to the owners of the Parent Company	₱22,278,955	₱18,609,229	₱12,777,932
Less dividends on preferred stock	1,281,375	622,828	528,750
	20,997,580	17,986,401	12,249,182
Less profit impact of assumed conversions of potential ordinary shares of investees	225,795	205,014	16,342
	₱20,771,785	₱17,781,387	₱12,232,840
Weighted average number of common shares	619,562	603,060	596,591
Dilutive shares arising from stock options	2,637	2,751	3,399
Adjusted weighted average number of common shares for diluted EPS	622,199	605,811	599,990
Basic EPS	₱33.89	₱29.83	₱20.53
Diluted EPS	₱33.38	₱29.35	₱20.39

27. Defined Benefit Plan

The Parent Company and certain subsidiaries have their respective funded, noncontributory tax-qualified defined benefit type of retirement plans covering substantially all of their employees. The benefits are based on defined formula with a certain minimum lump-sum guarantee of effective salary per year of service. The consolidated retirement costs charged to operations amounted to ₱817.4 million, ₱839.3 million and ₱651.5 million in 2015, 2014 and 2013, respectively.

The Parent Company's pension fund is known as the AC Employees Welfare and Retirement Fund (ACEWRF). ACEWRF is a legal entity separate and distinct from the Parent Company, governed by a board of trustees appointed under a Trust Agreement between the Parent Company and the initial trustees. It holds common and preferred shares of the Parent Company in its portfolio. All such shares have voting rights under certain conditions, pursuant to law. ACEWRF's portfolio is managed by a committee appointed by the fund's trustees for that purpose. The members of the committee include the Parent Company's Chief Finance Officer, Group Head of Corporate Governance, General Counsel, Corporate Secretary and Compliance Officer, Head for Strategic Human Resources, Treasurer and Comptroller. ACEWRF has not exercised voting rights over any shares of the Parent Company that it owns.

For the subsidiaries, the funds are generally administered by a trustee bank under the supervision of the Board of Trustees of the plan for each subsidiary. The Board of Trustees is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity.

Existing regulatory framework in the Philippines requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan. The Group also provides additional post employment healthcare benefits to certain senior employees in the Philippines. These benefits are unfunded.



The components of expense (included in personnel costs under “Cost of services” and “General and administrative expenses”) in the consolidated statement of income follow:

	2015	2014	2013
		(In Thousands)	
Current service cost	₱704,928	₱768,166	₱592,284
Past service cost	28,458	6,903	644
Net interest cost on benefit obligation	84,832	64,070	49,542
Loss (gain) on curtailment and settlements	(791)	114	9,009
Total pension expense	₱817,427	₱839,253	₱651,479

The remeasurement effects recognized in other comprehensive income (included in Equity under “Remeasurement gains/(losses) on defined benefit plans”) in the consolidated statement of financial position follow:

	2015	2014	2013
		(In Thousands)	
Return (loss) on plan assets (excluding amount included in net interest)	₱87,456	₱193,384	(₱172,247)
Actuarial loss (gain) due to liability assumption changes – demographic	(150,092)	(300,898)	315,393
Actuarial loss (gain) due to liability assumption changes – financial assumptions	(15,516)	(196,820)	422,994
Remeasurements in other comprehensive income	(₱78,152)	(₱304,334)	₱566,140

The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31, 2015 and 2014, as follows:

	2015	2014
	(In Thousands)	
Benefit obligations	₱9,442,829	₱9,167,101
Plan assets	(6,963,028)	(7,006,199)
Net pension liability position	₱2,479,801	₱2,160,902

As of December 31, 2015 and 2014 pension assets (included under “Pension and Other Noncurrent Assets”) amounted to ₱66.2 million, and ₱19.1 million (see Note 17), respectively, and pension liabilities amounted to ₱2.5 billion and ₱2.2 billion, respectively.

The following tables present the changes in the present value of defined benefit obligation and fair value of plan assets:

Present value of defined benefit obligation

	2015	2014
	(In Thousands)	
Balance at beginning of year	₱9,167,101	₱9,171,938
Current Service Cost	704,928	768,166
Past service cost	28,458	6,903
Interest cost	295,396	374,887
(Forward)		



	2015	2014
	(In Thousands)	
Loss (gain) on curtailment and settlements	(P791)	P114
Benefits paid from plan assets	(591,813)	(674,104)
Remeasurements in other comprehensive income:		
Actuarial changes arising from changes in demographic	(148,248)	(300,668)
Actuarial changes arising from experience adjustments	(15,516)	(196,820)
Transfers	9,445	8,595
Foreign currency exchange difference	(6,131)	8,090
	P9,442,829	P9,167,101

Fair value of plan assets

	2015	2014
	(In Thousands)	
Balance at beginning of year	P7,006,199	P6,657,386
Contributions	359,060	532,480
Interest income on plan assets	210,564	310,817
Return on plan assets (excluding amount included in net interest)	(87,456)	(193,154)
Benefits paid	(524,791)	(303,266)
Transfers	5,034	6,229
Foreign currency exchange difference	(5,582)	(4,293)
	P6,963,028	P7,006,199

The fair value of plan assets by each classes as at the end of the reporting period are as follow:

	2015	2014
	(In Thousands)	
Assets		
Cash and Cash Equivalents	P243,009	P334,639
Debt investments	3,150,587	3,474,513
Equity Investments	3,312,254	3,149,663
Other Assets	192,454	46,980
	6,898,304	7,005,795
Liabilities		
Trust fee payable	(2,337)	(9,798)
Unamortized tax on premium	—	(60,219)
Other liabilities	(5,011)	(609)
	(7,348)	(70,626)
Net Asset Value*	P6,890,956	P6,935,169

*The difference of P72.0 million and P71.0 million in the fair value of plan assets as of December 31, 2015 and 2014, respectively, pertains to movements after the valuation date.

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.



The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2015	2014
Discount rates	2.0% to 5.3%	4.0% to 5.0%
Future salary increases	3.0% to 8.0%	4.0% to 8.0%

There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase (decrease)	2015 Net Pension Liabilities (In Thousands)	2014 Net Pension Liabilities (In Thousands)
Discount rates	1%	(P554,323)	(P602,308)
	-1%	640,094	771,273
Future salary increases	1%	623,851	749,728
	-1%	(530,083)	(596,164)

The management performed an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Group's current strategic investment strategy consists of 45.7% of debt instruments, 48.0% of equity instruments and 6.3% other assets.

The Group expects to contribute P775.0 million to the defined benefit pension plan in 2016.

The average duration of the defined benefit obligation at the end of the reporting period is 5.3 to 27.1 years in 2015 and 5.3 to 26.8 years in 2014.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2015 (amounts in thousands):

Less than 1 year	P1,022,280
More than 1 year to 5 years	3,094,977
More than 5 years to 10 years	2,475,135
More than 10 years	8,487,384
	P15,079,776

As of December 31, 2015 and 2014, the plan assets include shares of stock of the Parent Company with total fair value of P559.3 million and P862.2 million, respectively



The fund includes investment in securities of its related parties. Details of the investment per type of security are as follows (in thousands):

2015	Carrying Value	Fair Value	Unrealized Gains
		(In Thousands)	
Equity securities	₱917,694	₱1,046,696	₱129,002
Debt securities	935,928	957,698	21,770
Unit investment trust funds	428,229	426,330	(1,899)
	₱2,281,851	₱2,430,724	₱148,873

2014	Carrying Value	Fair Value	Unrealized Gains
		(In Thousands)	
Equity securities	₱1,218,484	₱1,807,843	₱589,359
Debt securities	960,644	981,269	20,625
Unit investment trust funds	504,039	518,786	14,747
	₱2,683,167	₱3,307,898	₱624,731

The overall expected rate of return on assets is determined based on the market prices prevailing on that date.

The Group's transactions with the fund mainly pertain to contributions, benefit payments, settlements and curtailments.

28. Stock Option Purchase Plans

The Parent Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (Employee Stock Ownership Plan - ESOWN) covering 3.0% of the Parent Company's authorized capital stock. The grantees are selected based on certain criteria like outstanding performance over a defined period of time.

ESOP

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

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

	2015		2014		2013	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, at beginning of year	1,621,606	₱301.80	2,893,368	₱249.13	3,940,680	₱177.46
Exercised	(282,913)	(301.17)	(666,299)	(231.63)	(766,450)	(177.61)
Grants	-	-	-	-	445,064	500
Cancelled	-	-	(605,463)	(127.32)	(725,926)	(89.41)
Outstanding, at end of year	1,338,693	(₱301.51)	1,621,606	₱301.80	2,893,368	₱249.13

The options have a contractual term of 10 years. As of December 31, 2015 and 2014, the weighted average remaining contractual life of options outstanding is 7 years and 7.3 years, respectively, and the range of exercise prices amounted from ₱227.5 to ₱500.0, respectively.



The fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model. The fair values of stock options granted under ESOP at each grant date and the assumptions used to determine the fair value of the stock options are as follows:

	April 26, 2013	April 18, 2011	April 16, 2010
Weighted average share price	₱640	₱352.08	₱303.70
Exercise price	₱500	₱316.87	₱273.03
Expected volatility	42.40%	41.21%	41.31%
Option life	10 years	10 years	10 years
Expected dividends	0.54%	0.86%	0.92%
Risk-free interest rate	3.04%	6.64%	8.56%

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

ESOWN

The Parent Company also has ESOWN granted to qualified officers and employees wherein grantees may subscribe in full to the shares awarded to them based on the discounted market price that was determined by the Personnel and Compensation Committee as the offer price set at grant date. To subscribe, the grantee must be an employee of the Parent Company or any of its subsidiaries during the 10-year payment period. In case the grantee resigns, the unsubscribed shares are cancelled, while the subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the 10-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the plan are subject to the Parent Company's Right to Repurchase.

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

Subscriptions receivable from the stock option plans covering the Parent Company's shares are presented under equity.

For the unsubscribed shares, the employee still has the option to subscribe from the start of the fifth year but not later than on the start of the seventh year from date of grant. This option is no longer provided on the 2015 ESOWN. Movements in the number of options outstanding under ESOWN as of December 31, 2015 and 2014 follow:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
At January 1	61,154	₱296.17	120,244	₱260.22
Granted	—	—	8,344	480.00
Exercised/cancelled	—	—	(67,434)	275.77
At December 31	61,154	₱296.17	61,154	₱273.06

In 2015, the Parent Company introduced a revised ESOWN plan wherein grantees are given one (1) month from the time an allocation is awarded to subscribe in full. Partial subscription is not a feature of the 2015 ESOWN plan. Share options granted totaling 533,350 were unsubscribed as of December 31, 2015.



The fair value of stock options granted is estimated on the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	December 23, 2015*	April 11, 2014	April 30, 2012	April 30, 2009
Number of unsubscribed shares	533,350	8,344	50,229	17,788
Fair value of each option	₱444.59	₱619.00	₱259.97	₱112.87
Weighted average share price	₱718.88	₱673.96	₱434.47	₱263.38
Exercise price	₱611.05	₱480.00	₱322.00	₱180.13
Expected volatility	38.23%	42.13%	41.78%	49.88%
Dividend yield	0.67%	0.74%	0.74%	1.59%
Interest rate	4.81%	4.38%	5.59%	7.49%

*The grant of ESOWN shares was approved by the Personnel and Compensation Committee on December 23, 2015 and was subsequently ratified by the Parent Company's Board of Directors on January 19, 2016.

Total expense arising from share-based payments of the Parent Company (included under "General and administrative expenses") in the consolidated statement of income amounted to ₱373.2 million, ₱222.4 million and ₱199.3 million in 2015, 2014 and 2013, respectively.

ALI

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

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

ESOP

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

PFRS 2 Options

	2015	Weighted average exercise price	2014	Weighted average exercise price
At January 1	2,858,360	₱4.58	10,377,981	₱4.58
Exercised	(2,858,360)	4.26	(5,624,981)	4.26
Cancelled	-	-	(1,894,640)	-
At December 31	-	₱5.63	2,858,360	₱4.58

The options exercised had a weighted average exercise price of ₱5.63 per share or ₱16.1 million in 2015, and ₱4.26 per share or ₱23.96 million in 2014.

The average fair market value of the shares at the exercise date was ₱36.53 per share or about ₱104.4 million in 2015 and ₱31.46 per share or about ₱177.0 million in 2014.



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

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

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

ESOWN

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

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

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

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

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

	2015	WAEP	2014	WAEP
At January 1	12,279,280	₱15.61	12,683,257	₱14.19
Granted	14,632,157	—	12,640,541	—
Subscribed	(17,856,271)	26.16	(12,330,426)	21.10
Cancelled availment	727,385	—	279,632	—
Cancelled	(1,048,131)	—	(993,724)	—
At December 31	8,734,420	₱16.96	12,279,280	₱15.61



The fair values of stock options granted are estimated on the date of grant using the Binomial Tree Model and Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. Option maturity is 4 years from the date of grant.

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

	Grant Date					
	March 20, 2015	March 20, 2014	March 18, 2013	March 13, 2012	March 31, 2011	March 31, 2010
Number of unsubscribed shares	–	1,369,887	1,713,868	3,967,302	3,843,057	2,298,247
Fair value of each option	₱16.03	₱12.60	₱12.07	₱6.23	₱7.27	₱8.88
Weighted average share price	₱36.53	₱31.46	₱30.00	₱21.98	₱15.5	₱13.00
Exercise price	₱29.58	₱22.55	₱21.45	₱14.69	₱13.2	₱9.74
Expected volatility	31.99%	33.50%	36.25%	33.00%	36.25%	43.57%
Dividend yield	1.02%	1.42%	1.93%	0.9%	1.01%	0.48%
Interest rate	4.11%	3.13%	2.78%	5.70%	5.60%	5.95%

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

Total expense (included under “General and administrative expenses”) recognized in 2015, 2014 and 2013 in the consolidated statement of income arising from share-based payments of ALI amounted to ₱213.6 million, ₱196.1 million and ₱232.7 million, respectively.

IMI

IMI Group has an ESOWN, which is a privilege extended to IMI Group’s eligible managers and staff whereby IMI Group allocates up to 10% of its authorized capital stock for subscription by said personnel under certain terms and conditions stipulated in the ESOWN.

The key features of the plan are as follows:

- The subscription price per share shall be based on the average closing price at the PSE for 20 consecutive trading days with a discount to be determined by the Compensation Committee of IMI.

- Term of payment is eight years reckoned from the date of subscription:

Initial payment	2.5%
1 st Anniversary	5.0%
2 nd Anniversary	7.5%
3 rd Anniversary	10%
Over the remaining years	75% balance

- Holding period:

40%	after one (1) year from subscription date
30%	after two (2) years from subscription date
30%	after three (3) years from subscription date



On August 5, 2015, the Executive Committee of IMI approved the grant of ESOWN to qualified executives covering up to 27,189,000 shares at a subscription price of ₱5.11 per share, equivalent to the average closing price of IMI's common shares, at the PSE for 20 consecutive trading days ending June 25, 2015, net of 15% discount. Out of the total shares granted, 10,393,394 shares were subscribed by 78 executives of the IMI Group.

On October 13, 2014, the Executive Committee of IMI approved the grant of stock options (ESOWN) to qualified executives covering up to 35,900,000 shares at a subscription price of ₱5.91 per share, equivalent to the average closing price of IMI's common shares, at the PSE for 20 consecutive trading days ending September 24, 2014, net of 15% discount. Out of the total shares granted, 31,797,958 shares were subscribed by 38 executives of IMI Group, of which 7,821,848 shares are from unissued shares and 23,976,110 shares were issued from ESOWN Trust Account where all the previously cancelled ESOWN subscriptions were held.

Movements in the number of shares outstanding under ESOWN in 2015, 2014 and 2013 follow:

	2015		2014		2013	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Balances at January 1	135,902,428	₱6.71	107,380,812	₱6.95	110,405,814	₱6.95
Forfeitures	(2,555,329)	6.37	(3,276,342)	6.95	(3,025,002)	6.95
Subscriptions	10,393,394	5.11	31,797,958	5.91	—	—
Balances at December 31	143,740,493	₱6.69	135,902,428	₱6.71	107,380,812	₱6.95

Total expense arising from share-based payments of IMI (included under "General and administrative expenses") in the consolidated statement of income amounted to US\$1.53 million (₱72.0 million), US\$0.17 million (₱7.5 million), and US\$0.01 million (₱0.4 million) in 2015, 2014 and 2013, respectively.

MWC

Executive Stock Option Plan (Executive SOP), Expanded Executive SOP and ESOWN

The subscribed shares are effectively treated as options exercisable within a given period which is the same time as the grantee's payment schedule. The fair values of these options are estimated on the date of grant using the Binomial Tree Model. In computing for the stock option value for the 2015 grant, MWC assumed 26.53%, 2.55% and 3.79% as the volatility, dividend yield and risk-free interest rate, respectively.

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

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

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

	Grant Dates				
	February 10, 2015	November 19, 2013	October 5, 2012	September 19, 2011	April 30, 2009
Number of shares granted	7,281,647	6,627,100	4,772,414	5,073,000	9,241,025
Number of unsubscribed shares	884,873	351,680	460,000	992,000	1,442,000
Fair value of each option	₱11.58	₱10.58	₱11.76	₱8.68	₱5.90
Weighted average share price	₱21.35	₱23.00	₱26.24	₱19.80	₱13.50
Exercise price	₱26.00	₱22.92	₱24.07	₱17.38	₱9.63
Expected volatility	26.53%	24.90%	30.66%	33.68%	44.66%
Dividend yield	2.55%	3.47%	2.56%	2.68%	2.92%
Risk-free interest rate	3.79%	2.99%	4.57%	4.76%	8.53%
Expected life of option	4 years	4 years	4 years	4 years	4 years



To enjoy the rights provided for in the ESOWN, the grantee should be with MWC at the time the holding period expires. The Holding Period of the ESOWN shares follows:

Year	Holding Period
After one year from subscription date	40%
After two years from subscription date	30%
After three years from subscription date	30%

The ESOWN grantees are allowed to subscribe fully or partially to whatever allocation may have been granted to them. In case of partial subscriptions, the employees are still allowed to subscribe to the remaining unsubscribed shares granted to them provided that this would be made at the start of Year 5 from grant date up to the end of Year 6. Any additional subscription made by the employee (after the initial subscription) will be subjected to another 3-year holding period.

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

	2015	Weighted average exercise price	2014	Weighted average exercise price
At January 1	4,193,347	₱22.92	6,791,736	₱22.92
Granted	7,281,647	26.00	—	—
Exercised	(6,396,774)	26.00	(2,528,708)	22.92
Cancelled	(81,627)	—	(69,681)	—
At December 31	4,996,593	₱23.49	4,193,347	₱22.92

Total expense arising from equity-settled share-based payment transactions of MWC (included under “General and administrative expenses”) in the consolidated statement of income amounted to ₱68.70 million, ₱63.05 million, and ₱50.83 million in 2015, 2014 and 2013, respectively.

On January 6, 2015, the Remuneration Committee of MWC approved the grant to the qualified executives, officers and employees of MWC, pursuant to the ESOWN, of stock options covering up to 7,281,647 common shares at a subscription price of ₱26.00 per share which is equivalent to the average closing price of MWC’s common shares at the Philippine Stock Exchange for 20 consecutive trading days ending November 26, 2014, net of 10% discount.

The expected life of the options is based on management’s estimate and is not necessarily indicative of exercise patterns that may occur. The expected volatility used for the 2007 and 2006 grants was based on the average historical price volatility of several water utility companies within the Asian region. For the grants beginning 2008, MWC’s volatility was used as input in the valuation. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily reflect the actual outcome.

No other features of the options granted were incorporated into the measurement of fair value.

29. Operating Segment Information

For management purposes, the Group is organized into the following business units:

- Parent Company - represents operations of the Parent Company including its financing entities such as ACIFL, AYCFL, PFIL and MHI.
- Real estate and hotels - planning and development of large-scale fully integrated mixed-used communities that become thriving economic centers in their respective regions. This include development and sale of residential, leisure and commercial lots and the development and



leasing of retail and office space and land in these communities; construction and sale of residential condominiums and office buildings; development of industrial and business parks; development and sale of upper middle-income and affordable housing; strategic land bank management; hotel, cinema and theater operations; and construction and property management.

- Financial services and insurance - commercial banking operations with expanded banking license. These include diverse services such as deposit taking and cash management (savings and time deposits in local and foreign currencies, payment services, card products, fund transfers, international trade settlement and remittances from overseas workers); lending (corporate, consumer, mortgage, leasing and agri-business loans); asset management (portfolio management, unit funds, trust administration and estate planning); securities brokerage (on-line stock trading); foreign exchange and capital markets investments (securities dealing); corporate services (corporate finance, consulting services); investment banking (trust and investment services); a fully integrated bancassurance operations (life, non-life, pre-need and reinsurance services); and other services (internet banking, foreign exchange and safety deposit facilities).
- Telecommunications (Telecoms) - provider of digital wireless communications services using a fully digital network; domestic and international long distance communication services or carrier services; broadband internet and wireline voice and data communication services; also licensed to establish, install, operate and maintain a nationwide local exchange carrier (LEC) service, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic carrier and leased line services. In recent years, operations include developing, designing, administering, managing and operating software applications and systems, including systems designed for the operations of bill payment and money remittance, payment facilities through various telecommunications systems operated by telecommunications carriers in the Philippines and throughout the world and to supply software and hardware facilities for such purposes.
- Water distribution and used water services - contractor to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery, sewerage and sanitation, distribution services, pipeworks, used water management and management services.
- Electronics - global provider of electronics manufacturing services (EMS) and power semiconductor assembly and test services with manufacturing facilities in Asia, Europe, and North America. It serves diversified markets that include those in the automotive, industrial, medical, telecommunications infrastructure, storage device, and consumer electronics industries. Committed to cost-effective and innovative customized solutions (from design and product development to manufacturing and order fulfillment), the company's comprehensive capabilities and global manufacturing presence allow it to take on specific outsourcing needs.
- Energy - unit that will build a portfolio of power generation assets using renewable and conventional technologies which in turn will operate business of generating, transmission of electricity, distribution of electricity and supply of electricity, including the provision of related services.
- Information technology and BPO services - venture capital for technology businesses and emerging markets; onshore and offshore outsourcing services in the research, analytics, legal, electronic discovery, document management, finance and accounting, full-service creative and marketing, human capital management solutions, and full-service accounting.



- Automotive and Others - includes operations of Automotive unit (manufacturing, distribution and sale and providing repairs and services for passenger cars and commercial vehicles); International unit (investments in overseas property companies and projects); Aviation (air-chartered services); consultancy, agri-business and other operating companies. This business segment group also includes the start-up companies like Infrastructure (development arm for its transport infrastructure investments); education and health services.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results include transfers between operating segments. Those transfers are eliminated in consolidation.

The following tables regarding operating segments present assets and liabilities as of December 31, 2015 and 2014 and revenue and income information for each of the three years in the period ended December 31, 2015 (amounts in millions):



2015

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Distribution and Used water Services	Electronics	Information Technology and BPO Services	Energy	Automotive and Others	Intersegment Eliminations	Consolidated
Income											
Sales to external customers	P52	P100,266	P-	P-	P15,867	P36,958	P2,047	P-	P18,845	P-	P174,035
Intersegment	153	395	-	-	163	-	7	-	435	(1,153)	-
Share of profit of associates and joint ventures	-	(140)	8,856	4,899	403	-	(252)	1,026	246	-	15,038
Interest income	867	5,980	-	-	318	30	51	15	36	-	7,297
Other income	1,424	683	-	-	6,220	(81)	28	1,794	1,703	(474)	11,297
Total income	2,496	107,184	8,856	4,899	22,971	36,907	1,881	2,835	21,265	(1,627)	207,667
Operating expenses	3,605	72,099	-	-	14,443	35,152	2,145	893	20,210	(1,464)	147,083
Operating profit (loss)	(1,109)	35,085	8,856	4,899	8,528	1,755	(264)	1,942	1,055	(163)	60,584
Interest and other financing charges	4,259	7,334	-	-	1,402	124	32	13	104	9	13,277
Provision for (benefit from) income tax	90	6,854	-	-	1,631	271	39	(48)	168	7	9,012
Net income (loss)	(P5,458)	P20,897	P8,856	P4,899	P5,495	P1,360	(P335)	P1,977	P783	(P179)	P38,295
Other information											
Segment assets	P69,090	P416,909	P-	P-	P96,401	P24,398	P2,834	P10,517	P20,958	(P19,486)	P621,621
Investments in associates and joint ventures	121,430	17,522	-	-	5,724	(83)	1,592	13,501	3,025	-	162,711
Deferred tax assets	246	7,912	-	-	925	72	43	108	71	365	9,743
Total assets	P190,766	P442,343	P-	P-	P103,050	P24,387	P4,469	P24,126	P24,054	(P19,121)	P794,075
Segment liabilities	P103,839	P290,734	P-	P-	P40,952	P13,449	P1,026	P4,260	P7,550	(P2,720)	P459,090
Deferred tax liabilities	89	1,782	-	-	4,393	64	-	47	27	39	6,441
Total liabilities	P103,928	P292,516	P-	P-	P45,345	P13,513	P1,026	P4,307	P7,577	(P2,681)	P465,531
Segment additions to property, plant and equipment and investment properties	P310	P23,339	P-	P-	P726	P1,653	P113	P5,536	P1,446	(P4,662)	P28,461
Depreciation and amortization	P219	P4,247	P-	P-	P3,468	P1,054	P158	P10	P282	P5	P9,443
Non-cash expenses other than depreciation and amortization	P611	P156	P-	P-	P53	P104	P18	P271	P95	P154	P1,462
Cash flows provided by (used in):											
Operating activities	(P12,736)	P21,175	P-	P-	P4,927	P2,580	(P214)	P1,055	P713	P1,085	P18,585
Investing activities	P21,443	(P48,946)	P-	P-	(P622)	(P1,659)	(P30)	(P3,705)	(P2,136)	(P3,166)	(P38,821)
Financing activities	(P11,401)	P18,583	P-	P-	(P3,705)	(P1,403)	P246	P4,707	P2,515	P2,079	P11,621



2014

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Distribution and Used water Services	Electronics	Information Technology and BPO Services	Energy	Automotive and Others	Intersegment Eliminations	Consolidated
Income											
Sales to external customers	P730	P88,422	P-	P-	P15,412	P37,558	P1,770	P5	P12,520	P-	P156,417
Intersegment	106	-	-	-	110	-	-	-	318	(534)	-
Share of profit of associates and joint ventures	-	647	8,482	4,017	357	-	(368)	(85)	135	-	13,185
Interest income	454	4,778	-	-	186	9	49	5	16	(3)	5,494
Other income	391	709	-	-	4,054	647	2,127	(11)	1,499	(236)	9,180
Total income	1,681	94,556	8,482	4,017	20,119	38,214	3,578	(86)	14,488	(773)	184,276
Operating expenses	3,263	65,092	-	-	11,755	36,527	1,915	150	13,766	(539)	131,929
Operating profit (loss)	(1,582)	29,464	8,482	4,017	8,364	1,687	1,663	(236)	722	(234)	52,347
Interest and other financing charges	4,553	5,602	-	-	1,548	125	25	9	72	-	11,934
Provision for (benefit from) income tax	4	6,092	-	-	1,621	272	28	26	95	-	8,138
Net income (loss)	(P6,139)	P17,770	P8,482	P4,017	P5,195	P1,290	P1,610	(P271)	P555	(P234)	P32,275
Other information											
Segment assets	P156,790	P373,281	P-	P-	P88,111	P24,718	P2,367	P2,557	P15,195	(P97,791)	P565,228
Investments in associates and joint ventures	119,244	10,963	-	-	4,961	(78)	2,150	P13,716	1,809	-	152,765
Deferred tax assets	149	7,202	-	-	881	80	39	-	75	(371)	8,055
Total assets	P276,183	P391,446	P-	P-	P93,953	P24,720	P4,556	P16,273	P17,079	(P98,162)	P726,048
Segment liabilities	P124,832	P264,761	P-	P-	P39,823	P13,725	P713	P310	P4,199	(P15,924)	P432,439
Deferred tax liabilities	84	1,967	-	-	4,593	64	2	4	28	-	6,742
Total liabilities	P124,916	P266,728	P-	P-	P44,416	P13,789	P715	314	P4,227	(P15,924)	P439,181
Segment additions to property, plant and equipment and investment properties	P646	P15,782	P-	P-	P376	P1,091	P120	P379	P1,027	P187	P19,608
Depreciation and amortization	P119	P4,363	P-	P-	P3,312	P1,021	P125	P3	P208	P7	P9,158
Non-cash expenses other than depreciation and amortization	P113	P139	P-	P-	P36	P457	P28	P-	P85	(P28)	P830
Cash flows provided by (used in):											
Operating activities	(P1,621)	P34,747	P-	P-	P5,028	P1,817	P293	(P20)	(P1,842)	P807	P39,209
Investing activities	(P14,860)	(P51,505)	P-	P-	(P397)	(P251)	P6,335	(P8,952)	(P760)	(P12,356)	(P82,746)
Financing activities	P53,691	P17,052	P-	P-	(P5,359)	P1,517	(P6,907)	P9,430	P2,543	(P3,315)	P68,652



2013

	Parent Company	Real Estate and Hotels	Financial Services and Insurance	Telecoms	Water Distribution and Used water Services	Electronics	Information Technology and BPO Services	Energy	Automotive and Others	Intersegment Eliminations	Consolidated
Income											
Sales to external customers	P122	P77,770	P	P	P14,503	P31,661	P1,519	P5	P11,361	P-	P136,941
Intersegment	216	51	-	-	140	-	-	-	161	(568)	-
Share of profit of associates and joint ventures	(95)	550	8,321	1,612	293	-	(322)	(37)	(231)	-	10,091
Interest income	665	2,115	-	-	173	9	68	5	419	(18)	3,436
Other income	668	1,039	-	-	6,621	134	389	13	753	(674)	8,943
Total income	1,576	81,525	8,321	1,612	21,730	31,804	1,654	(14)	12,463	(1,260)	159,411
Operating expenses	2,372	57,795	-	-	13,177	31,089	1,770	109	12,474	(665)	118,121
Operating profit (loss)	(796)	23,730	8,321	1,612	8,553	715	(116)	(123)	(11)	(595)	41,290
Interest and other financing charges	3,900	4,774	-	-	1,630	122	25	11	67	(18)	10,511
Provision for (benefit from) income tax	114	4,656	-	-	1,655	195	19	11	29	(25)	6,654
Net income (loss)	(P4,810)	P14,300	P8,321	P1,612	P5,268	P398	(P160)	(P145)	(P107)	(P552)	P24,125
Other information											
Segment additions to property, plant and equipment and investment properties	P81	P16,035	P-	P-	P275	P926	P319	P2	P1,094	P4,067	P22,799
Depreciation and amortization	P92	P3,892	P-	P-	P3,329	P935	P162	P2	P48	(P100)	P8,360
Non-cash expenses other than depreciation and amortization	P275	P4	P-	P-	P55	P956	P3	P-	P1,303	P-	P2,596
Cash flows provided by (used in):											
Operating activities	(P5,110)	P27,239	P-	P-	P4,286	P880	P11	(P384)	(P1,077)	(P229)	P25,616
Investing activities	(P10,151)	(P64,432)	P-	P-	P359	(P751)	(P137)	(P3,098)	(P135)	(P2,398)	(P80,743)
Financing activities	P3,685	P33,054	P-	P-	(P3,564)	(P258)	P273	P3,397	P1,281	P2,628	P40,496



Geographical Segments

	Income			Total Assets		Investment Properties and Property, Plant and Equipment Additions		
	2015	2014	2013	2015	2014	2015	2014	2013
Philippines	₱170,628	₱143,309	₱128,554	₱767,974	₱701,273	₱27,229	₱18,746	₱16,473
Japan	681	3,180	2,944	17	12	-	1	-
USA	10,816	12,027	8,927	2,909	2,356	290	362	63
Europe	19,451	18,680	14,759	5,644	4,878	459	291	519
Others (mostly Asia)	6,091	7,080	4,228	17,531	17,528	483	231	267
	₱207,667	₱184,276	₱159,412	₱794,075	₱726,047	₱28,461	₱19,631	₱17,322

30. Leases

Finance leases - as lessee

The Group has finance leases for various items of property, plant and equipment. These leases have lease terms of 3 to 10 years. Future minimum lease payments under the finance leases together with the present value of the net minimum lease payments follow:

	2015		2014	
	Minimum Payments	Present values of payments (In Thousands)	Minimum Payments	Present values of payments
Within one year	₱52,293	₱49,639	₱51,377	₱45,727
After one year but not more than five years	120,299	118,120	114,284	108,690
Total minimum lease payments	172,592	167,759	165,661	154,417
Less amounts representing finance charges	470	-	10,313	-
Present value of minimum lease payments	₱172,122	₱167,759	₱155,348	₱154,417

Operating lease commitments - as lessee

ALI Group

ALI Group entered into lease agreements with third parties covering real estate properties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals payable under noncancellable operating leases of ALI Group follows:

	2015	2014
	(In Thousands)	
Within one year	₱659,677	₱592,404
After one year but not more than five years	3,001,038	1,869,779
More than five years	16,189,004	11,211,843
	₱19,849,719	₱13,674,026

On January 28, 2011, the Board of Regents of the University of the Philippines awarded to ALI the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. ALI signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for another 25 years subject to mutual agreement of the parties. The lease payments shall commence as soon as sales are registered by the merchants.

A retail establishment with about 63,000 square meters of gross leasable area and an office/BPO building about 8,000 square meters of gross leasable area shall be constructed on the property.



For the year ended December 31, 2014, Phase 1a (with gross leasable area of 5,000 sqm.) of the retail establishment has commenced operations on September 30, 2013.

On December 18, 2013, ALI donated the New UPIS facilities at a total cost of ₱224.7 million and the rehabilitated and upgraded UPIS "K-2" and "3-6" Buildings at a cost of ₱40.0 million to the University of the Philippines.

IMI Group

IMI Group has various operating lease agreement in respect of plant facilities, office spaces and land. These lease agreements have terms ranging from 5 to 15 years, fixed payment subject to escalation clauses, renewal option and early termination penalties.

Future minimum rentals payable under operating leases of IMI Group as of December 31, 2015 and 2014 follow:

	2015	2014
	(In Thousands)	
Within one year	₱277,875	₱215,024
After one year but not more than five years	550,717	516,840
More than five years	269,537	366,954
	₱1,098,129	₱1,098,818

Operating leases - as lessor

ALI Group have lease agreements with third parties covering their investment properties portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of ALI Group are as follows:

	2015	2014
	(In Thousands)	
Within one year	₱3,648,626	₱4,019,617
After one year but not more than five years	10,790,610	8,895,438
More than five years	12,179,151	8,719,812
	₱26,618,387	₱21,634,867

31. 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. Related parties may be individuals or corporate entities.

The Group, in its regular conduct of business, has entered into transactions with associates, joint ventures and other related parties principally consisting of advances, loans and reimbursement of expenses, purchase and sale of real estate properties, various guarantees, construction contracts, and development, management, underwriting, marketing and administrative service agreements. Sales and purchases of goods and services as well as other income and expense to and from related parties are made at normal commercial prices and terms.



The transactions and balances of accounts with related parties follow:

a. Transactions with BPI, an associate

- i. As of December 31, 2015 and 2014, the Group maintains current and savings account, money market placements and other short-term investments with BPI broken down as follows (amounts in thousands):

	2015	2014
Cash in bank	₱13,722,080	₱14,878,169
Cash equivalents	42,852,439	36,759,229
Short-term investments	1,415,451	—
Financial assets at FVPL	288,229	6,264,569
Other non-current asset (Note 17)	—	8,273,200

From the Group's placements and short-term investments with BPI, the Group has accrued interest receivable amounting to ₱331.8 million and ₱79.4 million as of December 31, 2015 and 2014, respectively. Interest income earned amounted to ₱650.4million in 2015, ₱586.5 million in 2014 and ₱648.7 million in 2013.

The Group also has short-term and long-term debt payable to BPI amounting to ₱28.9 billion and ₱38.0 billion as of December 31, 2015 and 2014, respectively. These short-term and long-term debts are interest bearing with varying rates, have various maturities starting 2016 and varying schedules of payments for interest. The Group has accrued interest payable pertaining to the outstanding balance of the short-term and long-term debt amounting to ₱30.7 million and ₱190.6 million as of December 31, 2015 and 2014, respectively. Interest expense incurred from the debt amounted to ₱250.3 million in 2015, ₱402.7 million in 2014 and ₱145.2 million in 2013.

b. Outstanding balances of related party transaction follow (amounts in thousands):

	Receivables		Payables	
	2015	2014	2015	2014
Associates:				
BPI	₱614,607	₱435,123	₱97,710	₱257,238
CDPEI	114,993	—	—	—
Honda Cars Philippines, Inc.(HCP)	67,586	112,522	346,041	152,457
Milestone Group Pty, Ltd.	11,785	—	—	—
First Gen Northern Energy (FGNEC)	5,531	5,531	—	—
Bonifacio Land Corp. (BLC)	—	374	212,696	212,696
	814,502	553,550	656,447	622,391
Joint ventures:				
Integreon	694,864	543,836	—	—
Globe	620,093	165,419	62,202	2,409
GNPower Dingin Ltd. Co.	206,218	—	—	—
LHI	—	10,883	—	—
Lagoon Development Corporation (Lagoon)	—	828	20,000	—
Asiacom	—	—	94	13,617
	1,521,175	720,966	82,296	16,026
Other related parties:				
DGA NLREC B.V.	685,900	—	—	—
Bestridge Investment Limited	90,591	—	—	—
Isuzu Philippines Corporation (IPC)	75,645	—	254,574	193,537
Fort Bonifacio Development Corporation (FBDC)	38,207	394,026	47,403	403,297
Sonoma Services Inc.	123	—	—	33,617
Columbus Holdings, Inc. (Columbus)	—	888,953	267,355	1,156,308
Others	146,281	151,950	64,370	33,641
	1,036,747	1,434,929	633,702	1,820,400
	₱3,372,424	₱2,709,445	₱1,372,445	₱2,458,817



- i. Receivable from BPI includes trade receivables on vehicles sold by AAHC and accrued interest receivables on short-term placements by the Group.
 - ii. Receivables from FGNEC are advances made for working capital requirements which are non-interest bearing and demandable.
 - iii. Receivable from Integreon represents a convertible promissory note entered into in February 2010 with a principal of US\$7.3 million and bear interest of 14% per annum. The lender has a conversion option for a period of 30 days beginning on the final maturity date at a stipulated price per share. Subsequent amendments were made to the convertible note on February 15, 2011, July 15, 2012 and on March 4, 2014 which include, among others, extension of the final maturity date and optional conversion period and change in interest rate. The latest amendment extended the final maturity date from February 15, 2014 to February 15, 2016 and the optional conversion period from February 15, 2014 to March 14, 2017. The convertible note bears interest of 12% per annum. Interest income earned amounted to ₱45.6 million, ₱38.9 million and ₱37.2 million in 2015, 2014 and 2013, respectively.
 - iv. Receivable from Columbus represents non-interest bearing advance for future acquisition of shares in BLC.
 - v. Receivable from FBDC largely pertains to management fees which are included under "Other income."
 - vi. Other outstanding balances of receivable from related parties at year-end pertain mostly to advances and reimbursement of operating expenses. These are unsecured, interest free, will be settled in cash and are due and demandable.
 - vii. Payable to Columbus and BLC represent non-interest bearing advances for stock redemption.
 - viii. Payable to IPC and HCP consist of purchased parts and accessories and vehicles that are trade in nature, interest-free, unsecured and are payable within 15 to 30 days.
 - ix. Payable to BPI includes interest payable on Group's borrowings payable at various payments terms like monthly or quarterly and insurance premiums payable which are due in 30-60 days.
 - x. The other outstanding balances of payable to related parties at year-end are unsecured, interest-free, will be settled in cash and are due and demandable.
 - xi. Allowance for doubtful accounts on amounts due from related parties amounted to ₱135.1 million and ₱135.4 million as of December 31, 2015 and 2014, respectively. Provision for doubtful accounts amounted to ₱0.3 million, ₱0.3 million and ₱0.8 million in 2015, 2014 and 2013, respectively.
 - xii. In 2014, Alveo acquired a 6,986 sq. m. property located along Valero St., Salcedo Vill., Makati City from BPI for ₱1,590.0 million, resulting into a gain of ₱700.0 million.
- c. Receivables from officers and employees pertain to housing, car, salary and other loans granted to the Group's officers and employees which are collectible through salary deduction, are interest bearing ranging from 6.0% to 13.5% per annum and have various maturity dates ranging from 2016 to 2026.
- d. The fair value of the Group's total investment in the BPI Fund amounted ₱282.2 million and ₱5.6 billion, as of December 31, 2015 and 2014, respectively.



e. Revenue and expenses from related parties follow:

	Revenue			Expenses		
	2015	2014	2013	2015	2014	2013
	(In Thousands)					
Associates:						
BPI	P852,681	P558,814	P702,699	P 264,997	P427,263	P143,582
PPI	—	60	417	—	—	—
Stream	—	—	21,715	—	—	—
	852,681	558,874	724,831	264,997	427,263	143,582
Joint ventures:						
Globe	82,733	101,381	72,739	120,172	124,563	115,809
Integreon	45,716	38,973	37,226	—	—	—
Asiacom	191	613	1,154	—	—	—
	128,640	140,967	111,119	120,172	124,563	115,809
Other related parties:						
FBDC	P—	P176,194	P221,483	P—	P155,099	P129,175
Lagoon	—	49,135	41,143	—	1,315	—
6750 Ayala Avenue	—	17,697	46,511	—	—	—
Others	5,412	25,921	27,405	5,075	—	28,351
	5,412	268,947	336,542	5,075	156,414	157,526
	P986,733	P968,788	P1,172,492	P390,244	P708,240	P416,917

Revenue recognized from related parties includes:

- Leasing and developmental projects services rendered by ALI group.
- Water and sewerage services rendered by MWC.
- Automotive sales and repair services rendered by AAHC group.
- Interest income from cash deposits and money market placements in BPI.

Expenses recognized from related parties include:

- Interest expense from short-term and long-term debt payable to BPI.
- Purchases of communications software and billings for mobile phone charges and internet connections with Globe.
- Building rental, leased lines, internet connections and ATM connections with Innove, subsidiary of Globe.

f. The Group's Compensation of key management personnel by benefit type follows:

	2015	2014	2013
	(In Thousands)		
Short-term employee benefits	P1,652,622	P1,369,942	P1,242,543
Post-employment benefits (Note 27)	230,264	69,079	139,933
Share-based payments (Note 28)	125,641	37,957	63,571
	P2,008,527	P1,476,978	P1,446,047

32. Financial Instruments

Financial Risk Management

General

Like any other risks, financial risks are inherent in the its business activities and are typical of any large holding company. The financial risk management of the Parent Company seeks to effectively contribute to better decision making, enhance performance, and satisfy compliance demands.

The Parent Company defines financial risks as risk that relates to the Parent Company's ability to meet financial obligations and mitigate funding risk, credit risk and exposure to broad market risks, including volatility in foreign currency exchange rates and interest rates. Funding risk refers to the



potential inability to meet contractual or contingent financial obligations as they arise and could potentially impact the Parent Company's financial condition or overall financial position. Credit risk is the risk of financial loss arising from a counterparty's failure to meet its contractual obligations or non-payment of an investment. These exposures may result in unexpected losses and volatilities in the Parent Company's profit and loss accounts.

The Parent Company maintains a strong focus on its funding strategy to help provide access to sufficient funding to meet its business needs and financial obligations throughout business cycles. The Parent Company's plans are established within the context of our annual strategic and financial planning processes. The Parent Company also take into account capital allocations and growth objectives, including dividend pay-out. As a holding company, the Parent Company generates cash primarily on dividend payments of its subsidiaries, associates and joint ventures and other sources of funding.

The Parent Company also establishes credit policies setting up limits for counterparties that are reviewed quarterly and monitoring of any changes in credit standing of counterparties.

In 2014, the Parent Company formalized the foreign exchange and interest rate risk management policy. The Parent Company actively monitors foreign exchange exposure and interest rate changes. And in addition, the Parent Company ensures that all loan covenants and regulatory requirements are complied with.

The Ayala Group continues to monitor and manage its financial risk exposures in accordance with Board approved policies. The succeeding discussion focuses on Ayala Group's financial risk management.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise financial assets at FVPL, AFS financial assets, 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 cash and cash equivalents, short-term investments, accounts and notes receivables and accounts payable and accrued expenses which arise directly from its operations.

The Group's main risks arising from the use of financial instruments are interest rate risk, foreign exchange risk, price risk, liquidity risk, and credit risk.

The Group also uses hedging instruments, the purpose of which is to manage the currency and interest rate risks arising from its financial instruments.

The Group's risk management policies relevant to financial risks are summarized below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Parent Company's and its subsidiaries' obligations. The policy is to keep a certain level of the total obligations as fixed to minimize earnings volatility due to fluctuation in interest rates.

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates as of December 31, 2015 and 2014, with all variables held constant.



Cash flow interest rate risk

	Change in basis points	Effect on profit before tax	
		2015	2014
		(In Thousands)	
Parent Company -			
Floating rate			
Borrowings	+100	(P126,750)	(P58,542)
	-100	126,750	58,542
Subsidiaries -			
Floating rate			
Borrowings	+100	(304,900)	(420,388)
	-100	304,900	420,388

There is no other impact on the Group's equity other than those already affecting the net income.



The terms and maturity profile of the interest-bearing financial assets and liabilities, together with its corresponding nominal amounts and carrying values follows:
(amounts in thousands)

December 31, 2015

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents	Fixed at the date of investment	Various	₱82,109,964	₱82,109,964	₱—	₱—	₱82,109,964
	Fixed at the date of investment or revaluation cut-off	Various	2,052,288	2,052,288	—	—	2,052,288
Short-term investments	Fixed at the date of sale or transaction	Various	10,430,306	10,008,836	163,470	258,000	10,430,306
Accounts and notes receivable	Fixed at the date of investment or revaluation cut-off	Various	274,550	—	274,550	—	274,550
AFS financial asset - Quoted debt investments			₱94,867,108	₱94,171,088	₱438,020	₱258,000	₱94,867,108
Parent Company							
Short-term debt	Fixed at 2.75%	1 month	₱8,000,000	₱8,000,000	₱—	₱—	₱8,000,000
Long-term debt							
Fixed	Fixed at 6.70% to 8.40%	7 years	20,000,000	—	19,914,326	—	19,914,326
	Fixed at 6.75% to 6.80%	10 years	10,000,000	—	—	9,939,287	9,939,287
	Fixed at 6.88%	15 years	10,000,000	—	—	9,926,281	9,926,281
Floating							
	Variable at 0.50% to 0.67% over 91-day T-bills PDST-R1	3 months	11,107,500	152,843	8,021,844	2,896,108	11,070,795
Subsidiaries							
Short-term debt	Ranging from 2.00% to 8.00%	Monthly, quarterly	3,309,266	3,309,266	—	—	3,309,266
Long-term debt	Ranging from 1.10% to 2.55%	Monthly, quarterly	13,078,249	13,078,249	—	—	13,078,249
Fixed							
		3,4,5,7,10 and 15 years					
Peso and foreign currency	Fixed at 0.50% to 10.21%		123,700,359	17,162,143	45,602,586	60,497,617	123,262,346
Dollar							
Exchangeable bond	Fixed at 0.50%	5 years	13,159,894	—	—	13,159,894	13,159,894
Floating							
	Variable at Libor+1.50% to 3.50%	3 months, semi-annual	53,950,710	2,791,000	43,909,472	4,979,777	51,680,249
			₱266,305,978	₱44,493,501	₱117,448,228	₱101,398,964	₱263,340,693



December 31, 2014

	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	< 1 year	1 to 5 years	> 5 years	Carrying Value
Group							
Cash and cash equivalents	Fixed at the date of investment	Various	P90,761,860	P90,761,860	P—	P—	P90,761,860
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	1,102,703	1,102,703	—	—	1,102,703
Accounts and notes receivable	Fixed at the date of sale or transaction	Various	15,136,805	7,781,795	7,231,704	93,150	15,106,649
AFS financial asset -	Fixed at the date of investment or revaluation cut-off	Various	239,919	—	239,919	—	239,919
Quoted debt investments	Fixed at the date of investment	Various	8,273,200	—	—	8,273,200	8,273,200
Other noncurrent asset			P115,514,487	P99,646,358	P7,471,623	P8,366,350	P115,484,331
Parent Company							
Long-term debt							
Fixed							
	Fixed at 6.70% to 8.40%	7 years	P20,000,000	P—	P19,883,150	P—	P19,883,150
	Fixed at 6.75% to 6.80%	10 years	10,000,000	—	—	9,930,244	9,930,244
	Fixed at 6.88%	15 years	10,000,000	—	—	9,920,501	9,920,501
Floating							
	Variable at 0.50% to 0.67% over 91-day T-bills PDST-R1	3 months	21,250,000	142,140	17,008,891	4,020,064	21,171,095
Subsidiaries							
Short-term debt	Ranging from 2.00% to 8.00%	Monthly, quarterly	4,164,369	4,164,369	—	—	4,164,369
Long-term debt	Ranging from 1.10% to 2.55%	Monthly, quarterly	16,919,900	16,919,900	—	—	16,919,900
Fixed							
		3,4,5,7,10 and 15 years					
Peso and foreign currency	Fixed at 0.50% to 10.21%		114,478,982	4,175,614	40,479,307	69,391,206	114,046,127
Dollar							
Exchangeable bond	Fixed at 0.50%	5 years	13,461,000	—	—	12,247,531	12,247,531
Floating							
	Variable at Libor+1.50% to 3.50%	3 months, semi-annual	53,001,484	6,463,131	39,957,883	4,140,796	50,561,810
			P263,275,735	P31,865,154	P117,329,231	P109,650,342	P258,844,727



Foreign exchange risk

The Group's foreign exchange risk results primarily from movements of the PHP against other currencies. The Group's consolidated statements of income can be affected significantly by movements in the USD and other currencies versus the PHP. In 2015 and 2014, the Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

IMI Group

The IMI Group's foreign exchange risk results primarily from movements of the USD against other currencies. As a result of significant operating expenses in PHP, IMI Group's consolidated statements of income can be affected significantly by movements in the USD versus the PHP. In 2015 and 2014, IMI Group entered into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

IMI Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in other than IMI Group's functional currency. Approximately 47% and 50% of the Group's sales for the years ended December 31, 2015 and 2014, respectively, and 39% and 49% of costs for the years ended December 31, 2015 and 2014, respectively, are denominated in currencies other than IMI Group's functional currency.

IMI Group manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider hedging any material exposure where appropriate.

MWC Group

The MWC Group's foreign exchange risk results primarily from movements of the PHP against the USD and Japanese Yen (JPY). Majority of revenues are generated in PHP, and substantially all capital expenditures are also in PHP. Approximately 33% and 34% of debt as of December 31, 2015 and 2014, respectively, was denominated in foreign currency. Under Amendment 1 of the Agreement, however, the Group has a natural hedge on its foreign exchange risks on its loans and concession fee payments through a recovery mechanism in the tariff.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Php equivalent follows:

	December 31, 2015		December 31, 2014	
	US\$	Php Equivalent*	US\$	Php Equivalent*
	(In Thousands)			
Assets				
Cash and cash equivalents	US\$51,036	₱2,401,762	US\$44,199	₱1,976,586
Short-term investments	8,001	376,513	1,247	55,766
Accounts and notes receivables	24,585	1,156,954	6,804	304,275
Other current assets	257	12,080	375	16,770
Total assets	83,879	3,947,309	52,625	2,353,397
Liabilities				
Accounts payable and accrued expenses	US\$23,586	₱1,109,934	US\$576	₱25,759
Short-term debt	22,375	1,052,958	37,154	1,661,527
Long-term debt	155,046	7,296,443	281,747	12,599,730
Other noncurrent liabilities	76,892	3,618,567	78,020	3,489,039
Total liabilities	277,899	13,077,902	397,497	17,776,055
Net foreign currency denominated liabilities	(US\$194,020)	(₱9,130,593)	(US\$344,872)	(₱15,422,658)

*Translated using the exchange rate at the reporting date (US\$1:₱47.06 in December 31, 2015 and US\$1: ₱44.72 in December 31, 2014).



	December 31, 2015		December 31, 2014	
	JPY	Php Equivalent*	JPY	Php Equivalent*
	(In Thousands)			
Assets				
Cash and cash equivalents	JPY38,281	₱14,968	JPY25,781	₱9,578
Accounts and notes receivable	81,597	31,904	175,708	65,274
Other noncurrent assets	2,411	942	2,491	925
Total assets	122,289	47,814	203,980	75,777
Liabilities				
Accounts payable and accrued expenses	232,081	90,742	373,082	138,596
Other current liabilities	3,933	1,538	—	—
Long-term debt	2,903,907	1,138,332	5,274,985	1,954,909
Other noncurrent liabilities	1,249,435	489,778	1,288,651	477,574
Total liabilities	4,389,356	1,720,390	6,936,718	2,571,079
Net foreign currency denominated liabilities	(JPY4,267,067)	(₱1,672,576)	(JPY6,732,738)	(₱2,495,302)

*Translated using the exchange rate at the reporting date (JPY1:₱0.3920 in December 31, 2015 and JPY1:₱0.3706 in December 31, 2014).

	December 31, 2015		December 31, 2014	
	RMB	Php Equivalent*	RMB	Php Equivalent*
	(In Thousands)			
Assets				
Cash and cash equivalents	RMB150,318	₱1,090,586	RMB141,839	₱1,036,358
Accounts and notes receivables	487,404	3,536,202	459,909	3,360,369
Total assets	637,722	4,626,788	601,748	4,396,727
Liabilities				
Accounts payable and accrued expenses	245,661	1,782,316	269,156	1,966,614
Net foreign currency denominated assets	RMB392,061	₱2,844,472	RMB332,592	₱2,430,113

*Translated using the exchange rate at the reporting date (RMB1: ₱7.26 in December 31, 2015 and RMB1: ₱7.30 in December 31, 2014).

	December 31, 2015		December 31, 2014	
	EUR	Php Equivalent*	EUR	Php Equivalent
	(In Thousands)			
Assets				
Cash and cash equivalents	EUR20,655	₱1,068,064	EUR 8,651	₱471,336
Receivables	34,563	1,787,260	37,540	2,045,274
Total assets	55,218	2,855,324	46,191	2,516,610
Liabilities				
Accounts payable and accrued expenses	16,525	854,489	13,733	748,200
Short term debt	2,687	138,969	2,299	125,245
Long-term debt	13,331	689,370	14,199	773,600
Other noncurrent liabilities	566	29,268	—	—
Total liabilities	33,109	1,712,096	30,231	1,647,045
Net foreign currency denominated assets	EUR22,109	₱1,143,228	EUR15,960	₱869,565

*Translated using the exchange rate at the reporting date (EUR1: ₱51.71 in December 31, 2015 and EUR1: ₱54.48 in December 31, 2014)



		December 31, 2015		December 31, 2014	
		VND	Php Equivalent*	VND	Php Equivalent
(In Thousands)					
Assets					
Cash and cash equivalents		VND62,123,859	₱129,219	VND35,133,686	₱75,055
Liabilities					
Accounts payable and accrued expenses		489,817	781	—	—
Net foreign currency denominated assets		VND61,634,042	₱128,438	VND35,133,686	₱75,055

*Translated using the exchange rate at the reporting date (VND1:₱0.0021 in December 31, 2015 and VND1:₱ 0.0021 in December 31, 2014).

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (amounts in thousands).

Currency	Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax	
		2015	2014
US\$	₱1.00	(₱194,020)	(₱344,872)
	(1.00)	194,020	344,872
JPY	1.00	(4,267,067)	(6,732,738)
	(1.00)	4,267,067	6,732,738
RMB	1.00	392,061	332,592
	(1.00)	(392,061)	(332,592)
EUR	1.00	22,109	15,960
	(1.00)	(22,109)	(15,960)
VND	1.00	61,634,042	35,133,686
	(1.00)	(61,634,042)	(35,133,686)

There is no other impact on the Group's equity other than those already affecting net income.

Equity price risk

AFS financial assets are acquired at certain prices 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, the country's economic performance, political stability, and domestic inflation rates, these prices change, reflecting how market participants view the developments. The Group's investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each sector and market.

The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity arising from fair valuation of quoted AFS financial assets (amounts in thousands).

		Market Index	Change in Variables	Effect on Equity Increase (decrease)
				(In Thousands)
2015		PSEi	5%	₱342,754
			(5%)	(342,754)
2014		PSEi	5%	₱425,527
			(5%)	(425,527)



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 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 seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues, both on-shore and off-shore.

ALI Group

ALI Group employs scenario analysis and contingency planning to actively manage its liquidity position and guarantee that all operating, investing and financing needs are met. ALI 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.

MWC Group

MWC Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, preference shares, leases and hire purchase contracts. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

The table summarizes the maturity profile of the Group's financial liabilities as of December 31, 2015 and 2014, based on contractual undiscounted payments.

	December 31, 2015				Total
	< 1 year	1 to < 2 years	2 to < 3 years	> 3 years	
	(In Thousands)				
Accounts payable and accrued expenses					
Accounts payable	₱85,017,853	₱356	₱—	₱—	₱85,018,209
Project costs	16,939,548	—	—	—	16,939,548
Accrued expenses	12,995,614	18,621	—	—	13,014,235
Related parties	1,372,445	—	—	—	1,372,445
Retentions payable	1,316,087	—	—	—	1,316,087
Dividends payable	3,414,356	—	—	—	3,414,356
Personnel costs	4,964,387	—	—	—	4,964,387
Derivative liability	3,771	—	—	—	3,771
Service concession obligation	1,255,644	4,787,287	—	1,686,916	7,729,847
Customers' deposit	4,204,260	—	—	294,884	4,499,144
Short-term debt	24,387,515	—	—	—	24,387,515
Long-term debt	55,326,886	18,283,830	40,730,055	124,612,408	238,953,179
Other noncurrent liabilities	4,541,435	16,456,868	1,765	11,238,704	32,238,772
Interest payable	9,581,040	25,755,474	10,206,066	46,411,392	91,953,972
	₱225,320,841	₱65,302,436	₱50,937,886	₱184,244,304	₱525,805,467



	December 31, 2014				Total
	< 1 year	1 to < 2 years	2 to < 3 years	> 3 years	
	(In Thousands)				
Accounts payable and accrued expenses					
Accounts payable	P70,470,671	P—	P—	P—	P70,470,671
Project costs	17,321,785	—	—	—	17,321,785
Accrued expenses	11,337,805	—	—	—	11,337,805
Related parties	2,458,817	—	—	—	2,458,817
Retentions payable	1,014,364	—	—	—	1,014,364
Dividends payable	2,845,013	—	—	—	2,845,013
Personnel costs	3,772,205	—	—	—	3,772,205
Derivative liability	4,755	—	—	—	4,755
Service concession obligation	1,019,515	1,531,691	705,528	10,547,926	13,804,660
Customers' deposit	8,799,678	—	—	362,065	9,161,743
Short-term debt	21,084,269	—	—	—	21,084,269
Long-term debt	10,761,443	11,573,756	60,051,210	156,465,229	238,851,638
Other noncurrent liabilities	—	17,178,307	353	6,197,304	23,375,964
Interest payable	10,142,902	13,141,805	12,721,097	24,947,802	60,953,606
	P161,033,222	P43,425,559	P73,478,188	P198,520,326	P476,457,295

Cash and cash equivalents, short-term investments, financial assets at FVPL and AFS debt investments are used for the Group's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section.

Credit risk

Credit risk is the risk that the Group's counterparties to its financial assets will fail to discharge their contractual obligations. The Group's holding of cash and short-term investments and receivables from customers and other third parties exposes the Group to credit risk of the counterparty. Credit risk management involves dealing with institutions for which credit limits have been established. The Group's Treasury Policy sets credit limits for each counterparty. The Group trades only with recognized, creditworthy third parties and has a well-defined credit policy and established credit procedures.

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

The maximum exposure to credit risk for the components of the consolidated statement of financial position is equal to the carrying values.

ALI Group

For installments receivable from the sale of properties, credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. ALI Group also undertakes supplemental credit review procedures for certain installment payment structures. ALI 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 titles 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 make a deposit with ALI Group (e.g. security deposits and advance rentals) which helps reduce ALI Group's credit risk exposure in case of defaults by the tenants. For existing tenants, ALI 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.



IMI Group

The credit evaluation reflects the customer's overall credit strength based on key financial and credit characteristics such as financial stability, operations, focus market and trade references. All customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that IMI Group's exposure to bad debts is not significant.

MWC Group

It is MWC Group's policy that except for connection fees and other highly meritorious cases, the Group does not offer credit terms to its customers. Credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. Customer payments are facilitated through various collection modes including the use of postdated checks and auto-debit arrangements.



The aging analysis of accounts and notes receivables that are past due but not impaired follows:

December 31, 2015

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	Total		
(In Thousands)									
Trade:									
Real estate	₱63,661,364	₱3,001,888	₱1,709,490	₱966,002	₱962,125	₱3,985,508	₱10,625,013	₱373,461	₱74,659,838
Electronics manufacturing	6,779,757	894,685	165,693	9,238	13,235	54,781	1,137,632	22,498	7,939,887
Water distribution and used water services	1,859,085	—	—	—	—	—	—	40,416	1,899,501
Automotive	844,268	723,664	312,916	242,236	86,788	71,958	1,437,562	15,947	2,297,777
Information technology and BPO	256,687	41,875	14,619	14,506	23,092	—	94,092	—	350,779
International and others	53,992	453	132	—	—	—	585	—	54,577
Advances to other companies	15,158,874	226,814	84,612	59,143	14,956	162,300	547,825	120,905	15,827,604
Receivable from related parties	3,250,071	53,310	28,196	3,473	3,651	6,107	94,737	16,730	3,361,538
Dividend receivable	1,153,466	—	—	—	—	—	—	—	1,153,466
Receivable from BWC	529,501	—	—	—	—	—	—	—	529,501
Concession financial receivable	1,198,084	—	—	—	—	—	—	—	1,198,084
Receivable from officers and employees	1,040,625	5,426	3,684	1,802	2,030	16,981	29,923	902	1,071,450
Investment in bonds classified as loans and receivables	258,000	—	—	—	—	—	—	—	258,000
Others	263,593	—	—	—	—	—	—	—	263,593
Total	₱96,307,367	₱4,948,115	₱2,319,342	₱1,296,400	₱1,105,877	₱4,297,635	₱13,967,369	₱590,859	₱110,865,595



December 31, 2014

	Neither Past Due nor Impaired	Past Due but not Impaired						Individually Impaired	Total	
		<30 days	30-60 days	60-90 days	90-120 days	>120 days	Total			
		(In Thousands)								
Trade:										
Real estate	₱54,076,618	₱493,629	₱514,089	₱346,998	₱417,839	₱1,437,802	₱3,210,357	₱297,191	₱57,584,166	
Electronics manufacturing	7,048,571	951,639	93,569	98,768	89,672	260,823	1,494,471	38,760	8,581,802	
Water distribution and used water services	1,421,435	—	—	—	—	—	—	42,010	1,463,445	
Automotive	1,462,348	20,612	—	—	—	—	20,612	13,346	1,496,306	
Information technology and BPO	113,817	48,191	9,821	3,853	19,454	2,866	84,185	2,358	200,360	
International and others	4,530	73	447	—	—	—	520	—	5,050	
Advances to other companies	20,352,068	275,346	55,270	24,203	16,464	281,165	652,448	149,211	21,153,727	
Receivable from related parties	2,514,597	19,479	17,522	44,226	49	107,158	188,434	6,413	2,709,444	
Dividend receivable	104	—	—	—	—	—	—	—	104	
Receivable from BWC	529,501	—	—	—	—	—	—	—	529,501	
Concession financial receivable	975,984	—	—	—	—	—	—	—	975,984	
Receivable from officers and employees	651,812	63,163	1,505	2,047	879	11,865	79,459	65	731,336	
Investment in bonds classified asloans and receivables	450,000	—	—	—	—	—	—	—	450,000	
Others	113,817	2,283	4,821	3,853	6,026	7,151	24,134	252	138,203	
Total	₱89,715,202	₱1,874,415	₱697,044	₱523,948	₱550,383	₱2,108,830	₱5,754,620	₱549,606	₱96,019,428	



The table below shows the credit quality of the Group's financial assets as of December 31, 2015 and 2014 (amounts in thousands):

December 31, 2015

	Neither past due nor impaired				Past due but not impaired	Individually Impaired	
	High Grade	Medium Grade	Low Grade	Total			Total
Cash and cash equivalents	₱82,154,542	₱—	₱—	₱82,154,542	₱—	₱—	₱82,154,542
Short-term investments	2,052,288	—	—	2,052,288	—	—	2,052,288
FVPL financial assets	5,280,678	—	—	5,280,678	—	—	5,280,678
Other noncurrent assets	4,925,214	—	—	4,925,214	—	—	4,925,214
Accounts and notes receivables							
Trade							
Real estate	46,140,127	9,467,751	8,053,486	63,661,364	10,625,013	373,461	74,659,838
Electronics manufacturing	339,368	6,353,216	87,173	6,779,757	1,137,632	22,498	7,939,887
Water distribution and used water services	1,580,165	278,920	—	1,859,085	—	40,416	1,899,501
Automotive	148,331	695,937	—	844,268	1,437,562	15,947	2,297,777
Information technology and BPO	256,687	—	—	256,687	94,092	—	350,779
International and others	51,483	2,509	—	53,992	585	—	54,577
Advances to other companies	14,200,172	894,535	64,167	15,158,874	547,825	120,905	15,827,604
Receivable from related parties	2,720,458	308,092	221,521	3,250,071	94,737	16,730	3,361,538
Dividend receivable	1,153,466	—	—	1,153,466	—	—	1,153,466
Receivable from BWC	—	529,501	—	529,501	—	—	529,501
Concession financial receivable	1,198,084	—	—	1,198,084	—	—	1,198,084
Receivable from officers employees	970,319	68,080	2,226	1,040,625	29,923	902	1,071,450
Investments in bonds classified as loans and receivables	258,000	—	—	258,000	—	—	258,000
Other receivable	263,593	—	—	263,593	—	—	263,593
AFS Investments							
Quoted shares of stocks	1,635,560	—	—	1,635,560	—	—	1,635,560
Unquoted shares of stocks	1,827,706	—	—	1,827,706	—	—	1,827,706
Quoted debt investments	274,550	—	—	274,550	—	—	274,550
	₱167,430,791	₱18,598,541	₱8,428,573	₱194,457,905	₱13,967,369	₱590,859	₱209,016,133



December 31, 2014

	Neither past due nor impaired				Past due but not impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade	Total			
Cash and cash equivalents	₱90,761,860	₱—	₱—	₱90,761,860	₱—	₱—	₱90,761,860
Short-term investments	1,102,703	—	—	1,102,703	—	—	1,102,703
FVPL financial assets	10,374,780	—	—	10,374,780	—	—	10,374,780
Other noncurrent assets	8,273,200	—	—	8,273,200	—	—	8,273,200
Accounts and notes receivables							
Trade							
Real estate	47,413,704	3,974,333	2,688,581	54,076,618	3,210,357	297,191	57,584,166
Electronics manufacturing	522,677	6,525,188	706	7,048,571	1,494,471	38,760	8,581,802
Water distribution and used water services	1,406,532	14,903	—	1,421,435	—	42,010	1,463,445
Automotive	1,183,041	195,118	84,189	1,462,348	20,612	13,346	1,496,306
Information technology and BPO	—	113,817	—	113,817	84,185	2,358	200,360
International and others	—	4,530	—	4,530	520	—	5,050
Advances to other companies	15,245,423	3,525,796	1,580,849	20,352,068	652,448	149,211	21,173,727
Receivable from related parties	1,767,865	334,792	411,940	2,514,597	188,434	6,413	2,709,444
Dividend receivable	104	—	—	104	—	—	104
Receivable from BWC	529,501	—	—	529,501	—	—	529,501
Concession financial receivable	975,984	—	—	975,984	—	—	975,984
Receivable from officers employees	631,444	15,747	4,621	651,812	79,459	65	731,336
Investments in bonds classified as loans and receivables	450,000	—	—	450,000	—	—	450,000
Other receivable	106,283	3,070	4,464	113,817	24,134	252	138,203
AFS Investments							
Quoted shares of stocks	1,916,799	—	—	1,916,799	—	—	1,916,799
Unquoted shares of stocks	1,275,497	—	—	1,275,497	—	—	1,275,497
Quoted debt investments	239,919	—	—	239,919	—	—	239,919
	₱184,177,316	₱14,707,294	₱4,775,350	₱203,659,960	₱5,754,620	₱549,606	₱209,984,186



The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, FVPL financial assets, quoted AFS financial assets, investment in bonds classified as loans and receivable, advances to other companies and related party receivables

High grade pertains to cash and cash equivalents and short-term investments, quoted financial assets, investment in bonds classified as loans and receivable, related party transactions and receivables with high probability of collection.

Medium grade pertains to unquoted financial assets other than cash and cash equivalents and short-term investments with nonrelated counterparties and receivables from counterparties with average capacity to meet their obligation.

Low grade pertains to financial assets with the probability to be impaired based on the nature of the counterparty.

Trade receivables

Real estate, information technology and BPO and international and others - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment in the past; and low grade pertains to receivables with more than 3 defaults in payment.

Electronics manufacturing - high grade pertains to receivable with favorable credit terms and can be offered with a credit term of 15 to 45 days; medium grade pertains to receivable with normal credit terms and can be offered with a credit term of 15 to 30 days; and low grade pertains to receivables under advance payment or confirmed irrevocable Stand-by Letter of Credit and subjected to semi-annual or quarterly review for possible upgrade or transaction should be under advance payment or confirmed and irrevocable Stand-By Letters of credit; subject to quarterly review for possible upgrade after one year.

Water distribution and used water services - high grade pertains to receivables that are collectible within 7 days from bill delivery; medium grade pertains to receivables that are collectible from 11 to 30 days from bill delivery.

Automotive - high grade pertains to receivables from corporate accounts and medium grade for receivables from noncorporate accounts.

Unquoted AFS financial assets - the unquoted investments are unrated.



33. Fair Value Measurement and Derivative Instruments

Fair Value of Financial and Nonfinancial Instruments

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to its short-term maturities except for the following financial instruments as of December 31, 2015 and 2014 (amounts in thousands):

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS AT FVPL				
Held for trading	₱5,072,792	₱5,072,792	₱10,374,780	₱10,374,780
Derivative assets				
Embedded	238,151	238,151	8,835	8,835
Freestanding	3,112	3,112	—	—
Total financial assets at FVPL	5,314,055	5,314,055	10,383,615	10,383,615
LOANS AND RECEIVABLES				
Accounts and notes receivables				
Trade receivables				
Real estate	65,833,104	67,103,996	50,410,593	50,567,423
Nontrade receivables				
Receivable from officers and employees	1,071,450	1,083,631	731,336	738,089
Investment in bonds classified as loans and receivables	258,000	264,973	450,000	463,407
Concession financial receivable	1,198,084	2,140,700	975,984	1,881,765
Total loans and receivables	68,360,638	70,593,300	52,567,913	53,650,684
AFS FINANCIAL ASSETS				
Quoted equity investments	1,635,560	1,635,560	1,916,799	1,916,799
Unquoted equity investments	1,827,706	1,827,706	1,275,497	1,275,497
Quoted debt investments	274,550	274,550	239,919	239,919
Total AFS financial assets	3,737,816	3,737,816	3,432,215	3,432,215
Total financial assets	₱77,412,509	₱79,645,171	₱66,383,743	₱67,466,514
FINANCIAL LIABILITIES AT FVPL				
Derivative liabilities				
Embedded	₱3,274	₱3,274	₱4,755	₱4,755
Freestanding	497	497	—	—
	3,771	3,771	4,755	4,755
OTHER FINANCIAL LIABILITIES				
Noncurrent other financial liabilities				
Service concession obligation	8,794,018	11,701,046	8,878,668	11,806,727
Other noncurrent liabilities	22,963,246	32,238,747	18,441,386	18,940,040
Long-term debt	210,799,647	233,090,903	226,999,015	276,149,199
Total other financial liabilities	242,556,911	277,030,696	254,319,069	306,895,966
Total financial liabilities	₱242,560,682	₱277,034,467	₱254,323,824	₱306,900,721

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial assets at FVPL - Fair values of investment securities are based on quoted prices as of the reporting date. For other investment securities with no reliable measure of fair value, these are carried at its last transaction price.

Derivative instrument - The fair value of the freestanding currency forwards is based on counterparty valuation. Derivative asset - The fair value is estimated using a modified stock price binomial tree model for convertible callable bonds.



Noncurrent trade and nontrade receivables - The fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 1.40% to 5.47% in 2015 and 8.0% to 13.25% in 2014.

AFS quoted debt and equity investments - Fair values are based on the quoted prices published in markets.

AFS unquoted equity investments - Fair value of equity funds are based on the net asset value per share. For other unquoted equity shares where the fair value is not reasonably determinable due to the unpredictable nature of future cash flows and the lack of suitable method of arriving at a reliable fair value, these are carried at cost less impairment, if any.

Other financial liabilities - non-current - The fair values 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 for Peso-denominated loans were 0.23% to 7.75% in 2015 and 1.82% to 6.13% in 2014 while the discount rates used for the foreign currency-denominated loans ranged 0.02% to 3.10% in 2015 and 1.86% to 5.17% in 2014.

For variable rate loans that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates.

The following table shows the fair value hierarchy of the Group's assets and liabilities as at December 31, 2015 and 2014 (amounts in thousands):

2015

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVPL	P=	P288,564	P4,784,228	P5,072,792
Derivative assets				
Embedded	-	-	238,151	238,151
Freestanding	-	-	3,112	3,112
AFS financial assets				
Quoted equity investments	1,635,560	-	-	1,635,560
Unquoted equity investments	-	1,424,033	403,673	1,827,706
Quoted debt investments	-	-	274,550	274,550
	P1,635,560	P1,712,597	P5,703,714	P9,051,871
Recurring financial assets for which fair values are disclosed:				
Loans and receivables	P=	P=	P68,452,600	P68,452,600
Concession financial receivable	-	-	2,140,700	2,140,700
	P=	P=	P70,593,300	P70,593,300
Recurring financial liabilities measured at fair value				
Derivative liabilities				
Embedded	P=	P=	P3,274	P3,274
Freestanding	-	-	497	497
	P=	P=	P3,771	P3,771
Recurring financial liabilities for which fair values are disclosed:				
Noncurrent other financial liabilities				
Service concession obligation	P=	P=	P11,701,046	P11,701,046
Other noncurrent liabilities	-	-	32,238,747	32,238,747
Long-term debt	-	-	233,090,903	233,090,903
	P=	P=	P277,030,696	P277,030,696
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	P174,960,463	P=	P=	P174,960,463
Investment properties	-	-	252,993,700	252,993,700
	P174,960,463	P=	P252,993,700	P427,954,163



2014

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial assets measured at fair value				
Financial assets at FVPL	P=	P5,607,837	P4,766,942	P10,374,779
Derivative assets				
Embedded	—	—	8,835	8,835
AFS financial assets				
Quoted equity investments	1,916,800	—	—	1,916,800
Unquoted equity investments	—	1,014,382	261,115	1,275,497
Quoted debt investments	—	—	239,919	239,919
	P1,916,800	P6,622,219	P5,276,811	P13,815,830
Recurring financial assets for which fair values are disclosed:				
Loans and receivables	P=	P=	P51,768,919	P51,768,919
Concession financial receivable	—	—	1,881,765	1,881,765
	P=	P=	P53,650,684	P53,650,684
Recurring financial liabilities measured at fair value				
Derivative liabilities				
Freestanding	P=	P=	P4,755	P 4,755

2014

	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Recurring financial liabilities for which fair values are disclosed:				
Noncurrent other financial liabilities				
Service concession obligation	P=	P=	P11,806,727	P11,806,727
Other noncurrent liabilities	—	—	18,940,040	18,940,040
Long-term debt	—	—	276,149,199	276,149,199
	P=	P=	P306,895,966	P306,895,966
Nonfinancial assets for which fair values are disclosed:				
Investments in associates and joint ventures*	P182,213,103	P=	P=	P182,213,103
Investment properties	—	—	234,471,109	234,471,109
	P182,213,103	P=	P234,471,109	P416,684,212

*Fair value of investments in listed associates and joint ventures for which there are published price quotations

There was no change in the valuation techniques used by the Group in determining the fair market value of the assets and liabilities.

There were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

	2015	2014
At January 1	P4,766,942	P5,117,416
Additions	639,297	1,380,725
Disposals/redemptions	(642,398)	(1,979,074)
Recognized in statement of income	20,387	247,875
At December 31	P4,784,228	P4,766,942



Derivatives

	2015	2014
Derivative Assets		
Conversion option of BHL	P207,886	P—
Prepayment option of ACEHI	30,265	—
Currency forward of IMI	3,112	—
Conversion option of AIVPL	—	8,835
	P241,263	P8,835
Derivative Liabilities		
Conversion option of AIVPL	P3,274	P4,755
Currency forwards of IMI	497	—
	P3,771	P4,755

Free standing derivatives

IMI Philippines and IMI BG entered into various short-term currency forwards with an aggregate notional amount of \$11.0 million and €16.25 million (\$14.79 million) in 2015 and \$17.0 million in 2014. As of December 31, 2015 and 2014, the outstanding forward contracts have a net positive fair value of \$0.06 million and nil, respectively. The changes in fair value of currency forwards recognized in 2015 and 2014 amounted to \$0.19 million and \$0.25 million, respectively (see Note 23).

Embedded derivatives

AIVPL Group

Note A

In conjunction with the transactions contemplated by the Subscription Agreement among Integreon, Livelt Investments Limited (LIL) and Actis (Lender) in February 2010, Integreon has settled \$22.2 million of the total outstanding notes receivables. Consequently, upon settlement of the notes, the marked to market valuation amounting to \$1.8 million, which had been recognized in prior years pertaining to the convertible promissory notes of \$7.3 million was reversed and charged to "Other expenses" account. Simultaneously, Integreon has issued a new 14% one-year convertible promissory note with a principal of \$7.30 million. Certain provisions of the promissory note are as follows:

1. The lender has a conversion option, which set forth that the principal can be converted to Class A-4 preferred shares, for a period of thirty (30) days beginning on the Final Maturity Date at a price of US\$55.9 per share.
2. The Borrower has the option to prepay the loan in full or in part together with the accrued interest, which upon exercise shall annul the optional conversion option of the lender on the extent of the principal paid.

On February 15, 2011, AIVPL, Integreon and Actis have approved amendments on the 14% convertible note, with a principal amount of \$7.3 million dated February 16, 2010, as follows:

- a) The Final Maturity Date is extended to February 15, 2012 and if unpaid, interest shall continue to accrue at the rate of 15% per annum until such time Integreon has settled the note.
- b) The Optional Conversion Period shall be from February 16, 2011 through March 15, 2012.
- c) The Lender has the right to exercise the Conversion Option as many times during the Optional Conversion Period provided that Conversion amount shall not exceed the principal amount.

As a result of the amendments made on the note, this effectively terminated the rights and obligations of AIVPL associated with the loan. Thus, the derivative liability initially recognized on February 16, 2010 expired. The amended note introduced new rights and these have been recognized as derivative asset in the consolidated statement of financial position.



On July 15, 2012, AIVPL, Integreon and Actis have approved amendments on the 14% convertible note, with a principal amount of \$7.3 million dated February 16, 2010, as follows:

- a) The Final Maturity Date is extended from February 15, 2012 to February 15, 2014;
- b) The Borrower is liable for the principal sum of \$7.3 million, plus accrued interest at the rate of a) fourteen percent (14%) p.a. until February 15, 2012; and b) twelve percent (12%) p.a. from February 16, 2012 until the Final Maturity Date.
- c) The Optional Conversion Period shall be from February 15, 2014 through March 16, 2015.
- d) The Lender has the option to extend the Final Maturity Date to a date that is one (1) year from the immediately preceding Final Maturity Date. This option shall be exercised during the Optional Conversion Period.

The abovementioned amendments to the note effectively terminated the rights and obligations of AIVPL associated with the loan. The derivative asset initially recognized on February 16, 2011 has expired, and thus has been reversed. The amended note introduced new rights and these have been recognized as derivative asset in the consolidated statement of financial position.

As of December 31, 2014, the fair value of the compound embedded derivatives representing the Conversion Option and the Term Extension Option amounted to \$0.2 million (P8.9 million).

In 2015, AIVPL management performed an assessment on the embedded derivatives and concluded that the prepayment option is clearly and closely related, while the equity conversion is not, thus requiring bifurcation and valuation.

The derivative asset amounting to \$0.20 million previously recognized was reversed and charged as other expense in 2015 since the strike price is significantly higher than the theoretical stock price. As of December 31, 2015, the carrying value of the derivative is nil.

On January 9, 2015, AIVPL made shareholder advances to Integreon amounting to \$1.5 million, under the following terms:

- a) Final Maturity Date on January 31, 2017.
- b) The Borrower is liable for the principal sum of \$1.5 million due to AIVPL plus accrued interest at the rate of nine percent (9%) p.a.
- c) The Borrower is liable for 12% penalty on both principal and accrued interest if not paid on maturity.
- d) With option to convert both principal and accrued interest during an equity financing transaction to raise capital with the requisite corporate approvals.
- e) Closing and completion of the sale and purchase of the conversion shares shall take place in accordance with the terms of any transactional documents entered into in connection with such equity financing transaction.

ACEHI

Prepayment option

The onshore and offshore loan agreements of ACEHI have embedded prepayment options subject to a 3% prepayment penalty. The embedded derivative for Tranch A onshore dollar loan is assessed to be not closely related to the host contract, and thus, bifurcated and accounted for separately.

As of December 31, 2015, the value of the derivative asset related to the embedded prepayment option amounted to P30.27 million. The fair value changes of the derivative asset recognized as "Mark-to-market losses" for the year ended December 31, 2015 amounted to P4.10 million.



BHL

Convertible bonds

In June 2014, BHL invested VND113billion (equivalent to USD5.3million) in CII convertible bonds through its wholly owned subsidiary, VIP. These bonds have a maturity of 5 years, and a coupon rate of 5% p.a. VIP has not converted any bonds as at 31 December 2014.

Fair Value Changes on Derivatives

The net movements in fair values of the Group's derivative instruments as of December 31, 2015 follow (amounts in thousands):

Derivative Assets

	2015	2014
Balance at beginning of year	₱8,835	₱456,768
Initial value of long call option	–	29
Balance upon bifurcation	34,366	–
Fair value of currency forwards	11,458	–
Fair value of convertible bonds	217,294	–
Net changes in fair value of derivatives	(4,101)	8,777
	267,852	465,574
Fair value of settled instruments	(26,589)	(456,739)
Balance at end of year	₱241,263	₱8,835

Derivative Liabilities

	2015	2014
Balance at beginning of year	₱4,755	₱3,470
Fair value of currency forwards	862	–
Net changes in fair value of derivatives	(1,481)	3,088
	4,136	6,558
Fair value of settled instruments	(365)	(1,803)
Balance at end of year	₱3,771	₱4,755

No other financial assets or liabilities are carried at fair value as of December 31, 2015 and 2014.

Net changes in fair value of derivative assets and liabilities was recognized in the consolidated statement of income under "Other Income". However, the net changes in fair value of IMI Group's freestanding currency forward are recognized in the consolidated income under "Foreign exchange gains (losses)" (see Note 23).

34. Notes to Consolidated Statements of Cash Flows

The Group's noncash investing and financing activities are as follows:

2015

- Transfers from land and improvements to inventories amounted to ₱9,253 million.
- Transfer from land and improvements to investment properties amounted to ₱1.7 million.
- Transfer from land and improvements to other assets amounted to ₱56.85 million.
- Transfers from inventories to investment properties amounted to ₱52.0 million
- Transfer from investment properties to property, plant and equipment amounted to ₱53.88 million.
- In July 2015, donated property to YMCA and PCPI was returned to the Parent Company. The total consideration was recognized as gain on reversion of land amounting to ₱575.1 million.



2014

- Transfers from land and improvements to inventories amounted to ₱11.0 billion.
- Transfer from inventories to property, plant and equipment amounted to ₱138.8 million.
- Transfers from investment properties to inventories amounted to ₱827.2 million.
- Transfer from investment properties to property, plant and equipment amounted to ₱2.3 million.
- Transfers from property, plant and equipment to other assets amounting ₱239.8 million.
- Transfer from investment properties to other assets amounted to ₱8.6 million.
- Transfer from property, plant and equipment to investment property amounting to ₱33.1 million in 2014.
- Transfer from other assets to property, plant and equipment amounting to ₱274.4 million.
- Transfer from land and improvements to other assets amounted to ₱100.3 million.
- Transfer from land and improvements to intercompany receivables amounted to ₱25.4 million.
- Capitalization of machinery and facilities equipment under finance lease amounted to \$3.77 million (₱168.6 million).

2013

- Conversion of subscription and advances of the Parent Company from ACEHI amounting to ₱3.4 billion into 33.9 million common shares in 2013.
- In November 2013, the Parent Company acquired 37.6 million ADHI Class B common shares for a total consideration of ₱13.2 billion. Outstanding payable to ADHI arising from this transaction amounted to ₱9.9 billion.
- Capitalization of office equipment under finance lease amounting to ₱134.5 million.
- Transfers from land and improvements to inventories amounting to ₱14.7 billion.
- Transfers from land and improvements to investment properties amounting to ₱1.5 billion.
- Transfers from inventories to investment properties and property, plant and equipment amounting to ₱26.1 million in 2013.
- Transfers from investment properties to property, plant and equipment amounting to ₱157.4 million.
- Transfers from property, plant and equipment to other assets amounting to ₱2.2 billion.

35. Commitments

Parent Company

The Parent Company acted as guarantor to AYCFL's term loans and credit facilities as follows:

Description of Facility	Date Contracted	Amount drawn as of December 31, 2015	2015	2014
			Outstanding balance as of December 31	
(Amounts in thousands)				
US\$229.2 million transferable term loan facility	December 16, 2010	US\$229,200	US\$183,385	US\$229,200
US\$150 million transferable term loan facility	March 28, 2011	150,000	50,000	150,000
US\$20.0 million revolving credit facility	September 28, 2012	20,000	—	20,000
US\$225 million transferable term loan facility	November 28, 2013	225,000	225,000	225,000
US\$100 million transferable loan facility	March 28, 2014	Undrawn	—	—
US\$200 million term loan facility	May 9, 2014	Undrawn	—	—
			US\$458,385	US\$624,200



The Parent Company unconditionally guaranteed the due and punctual payment of advances if, for any reason AYCFL does not make timely payment. The Parent Company waived all rights of subrogation, contribution, and claims of prior exhaustion of remedies. The Parent Company's obligation as guarantor will remain in full force until no sum remains to be lent by the lenders, and the lenders recover the advances.

On May 2, 2014, AYCFL issued at face US\$300.0 million Exchangeable Bonds (the Bonds) due on May 2, 2019 with a fixed coupon rate of 0.5% per annum, payable semi-annually. The Bonds are guaranteed by the Parent Company and constitute direct, unsubordinated, unconditional and unsecured obligations of AYCFL, ranking *pari passu* and without any preference or priority among themselves. The Bonds were listed in the Singapore Stock Exchange and include features such as exchange option, put option and early redemption options.

On January 24, 2014, the Parent Company issued promissory note to BPI amounting to ₱8.0 billion. The loan under this note (including interest, charges, and those taxes for which the Parent Company is liable under the terms of Loan Agreement) was secured by an assignment of deposits belonging to AYCFL (the Assignor). For this purpose, the Assignor, cedes, transfers and conveys unto BPI, its successors and assigns, by way of assignment, all of the rights, titles and interests of the Assignor on and over these deposits. The Assignor, while the obligations secured remain outstanding, shall not withdraw and shall keep renewed for the term of the Note the Assigned Deposits. The note was pre-terminated by the Parent Company in October 2015.

ALI Group

Upon the completion of certain closing conditions based on the Agreement to Subscribe dated August 13, 2015, ALI Group is committed to subscribe to the common shares of Prime Orion Philippines, Inc. (POPI) which will represent 51.36% of the total outstanding shares of stock of POPI. On February 24, 2016 a Deed of Subscription and a Supplement to the Deed of Subscription was executed by ALI and POPI (see Note 39).

On August 11, 2015, ALI won the bid for the Integrated Transport System Project – South Terminal (ITS South Project). ALI will be awarded by the DOTC with a 35-year concession agreement to build and operate the ITS South Project and will likewise have the right to develop and operate commercial leasing facilities on the same 5.57 hectare former Food Terminal Inc. property on which the future transport terminal will be built. The site of the ITS South Project is right next to ARCA South, where ALI is developing an integrated mixed-use estate. It is estimated that up to 4,000 buses and 160,000 passengers will feed into ITS South from SLEX every day. Construction will begin by May 2016 and is expected to be completed and ready for operation by October 2017.

On June 30, 2015, ALI, through SM-ALI Group consortium, participated and won in the bidding for Lot No. 8-B-1, containing an area of 263,384 square meters, which is portion of Cebu City-owned lot located at the South Road Properties, Cebu City covered by Transfer Certificate of Title No. 107-2011000963. SM-ALI Group consortium is a consortium among SM Prime Holdings, Inc. (SMPHI), ALI and CHI (collectively referred to as the ALI Group). The SM-ALI Group will co-develop the property pursuant to a joint master plan.

On August 8, 1997, an Assignment Agreement was executed between Metro Rail Transit Corporation (Metro Rail) and MRT Development Corporation (MRTDC) whereby MRTDC agreed to be bound by all obligations in respect of the Development Rights and make payments to DOTC.

On February 21, 2002, MRTDC and NTDC entered into an assignment agreement wherein the development rights of MRTDC over an 8.3 hectare portion of the MRT Depot (inclusive of project development costs incurred in relation thereto) was assigned to NTDC in exchange for 32,600,000 shares of stock to be issued out of the increase in the authorized capital stock of NTDC, each share with a par value of ₱10, or an aggregate par value of ₱326.0 million. The amount of development rights in excess of the aggregate par value of the shares subscribed was credited to additional paid-in capital.



On January 13, 2006, the deed of assignment between MRTDC and NTDC was acknowledged by the DOTC making MRTDC and NTDC jointly and severally liable for the DRP and all other obligations attached thereto. NTDC has been paying rent to DOTC in behalf of MRTDC since January 1, 2006.

On March 21, 2007, DOTC, National Housing Authority (NHA), MRTDC, and NTDC entered into a MOA whereby DOTC assigns, transfers and conveys to NHA, its successors or assigns, the right to demand and collect the Depot DRP Payable and Depot DRP. In the MOA, DOTC authorizes MRTDC/NTDC to remit the Depot DRP Payable and the Depot DRP to NHA directly which shall be credited by DOTC in favour of MRTDC/ NTDC as payment for the DRP.

On October 16, 2009, ALI executed a lease agreement with the Subic Bay Metropolitan Authority (SBMA), for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City. The lease commitment is expected to be completed in 2060 after the 50-year lease term. The lease may be renewed for another 25 years upon mutual agreement of the parties. ALI offered to develop a mall with an estimated gross leasable area of 38,000 square meters.

On March 25, 2010, ALI entered into an assignment of lease agreement whereby ALI assigned its rights and obligations granted to or imposed under the lease agreement to its subsidiary, Subic Bay Town Center, Inc. (SBTCI). The lease payments to SBMA started from the commencement of the commercial operation of the mall last April 26, 2012, which was completed during the same period.

ALI has an existing contract with Bases Conversion and Development Authority (BCDA) to develop, under a lease agreement signed in July 2000, a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 15 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5.0% to 20.0% of gross revenues. Subsequently, ALI transferred its rights and obligations granted to or imposed under the lease agreement to Station Square East Commercial Corporation (SSECC), in exchange for equity. As part of the bid requirement, ALI procured a performance bond in 2003 from the Government Service Insurance System in favor of BCDA amounting to ₱3.9 billion to guarantee the committed capital to BCDA. Moreover, SSECC obtained stand-by letters of credit to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement.

MDC, in the normal course of business, furnishes performance bonds in connection with its construction projects. These bonds shall guarantee MDC's execution and completion of the work indicated in the respective construction contracts.

On December 17, 2014, Arvo Commercial Corporation signed a Deed of Absolute Sale with the Philippine National Bank for a parcel of land with an area of 6,003 sqm located at No. 460 Quirino Highway, Brgy. Talipapa, Novaliches, Quezon City.

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

On June 4, 2014, AHRC has signed a long-term management agreement with the Mandarin Oriental Hotel Group to develop and operate luxury hotel in Makati City. Set to open its doors by 2020, the new Mandarin Oriental Manila will be featuring 275 spacious rooms complemented by an extensive range of modern amenities including premium selection of restaurants and a signature spa. ALI Group is committed to pay \$5 million (₱223.6 million) to Manila Mandarin Hotel, Inc. upon the opening of the New Hotel or June 30, 2017, whichever is earlier.



On May 12, 2014, ALI has signed the terms of reference with Sureste Properties, Inc. (SPI), a wholly owned subsidiary of Bloomberry Resorts Corp. (BLOOM) for the retail area to be opened in the new Phase 1-A of Solaire Resort & Casino. ALI will be the leasing and marketing agent of the said area with gross leasable area of more than 5,000 sqm.

Parent Company's Concession Agreement

In 2012, the Parent Company entered into a concession agreement with the DPWH to finance, design, construct, operate and maintain the Daang Hari – SLEX Link Road, now known as the Muntinlupa-Cavite Expressway(MCX) [the Project]. Under the concession agreement, the Parent Company will:

- a. Purchase the advance works on Segment I of the Project and finance and construct the remaining works thereof;
- b. Finance, design, and construct Segment II of the Project;
- c. Undertake the operations and maintenance of the Project;
- d. Impose and collect tolls from the users of the Project; and
- e. Grant business concessions and charge and collect fees for non-toll user related facilities and toll user related facilities situated in the Project.

The Parent Company is authorized to adjust the toll rates once every two years in accordance with a prescribed computation as set out in the concession agreement and upon compliance with the rules and regulations on toll rate implementation as issued or may be issued by the Toll Regulatory Board.

In the event that the Parent Company is disallowed from charging and collecting the authorized amounts of the toll rates as prescribed in the concession agreement from the users of the Project, the Parent Company shall be entitled to either of the following:

- a. Compensation from the DPWH of the toll income forgone by the Parent Company which shall be calculated based on a prescribed computation under the concession agreement.
- b. Extension of the concession period to compensate the Parent Company for the forgone toll income which shall be mutually agreed by the Parent Company and the DPWH.

The Parent Company shall pay the DPWH an amount equal to 5% of all gross revenues arising from non-toll user and toll user related facilities situated within the Project.

The concession period shall commence on the date of the issuance of the Notice to Proceed with Segment II and shall end on the date that is 30 years thereafter, unless otherwise extended or terminated in accordance with the concession agreement. Any extension of the concession period shall in no event be beyond 50 years after the date of the issuance of the Notice to Proceed with Segment II.

Interoperability Agreement

In December 2013, the Parent Company signed a MOA on the Interoperability of the Project with Manila Toll Expressway Systems, Inc. (MATES) and South Luzon Tollway Corporation (SLTC). SLTC is the concessionaire for SLEX and MATES is the SLEX facility operator. The interoperability agreement provides the framework that governs the interface and integration of the technical operations and toll collection systems between the Project and SLEX to ensure seamless travel access for users of the toll roads.

In December 2014, MATES and MCX Tollway, Inc. (MTI) (a subsidiary of AC Infra) executed a Toll Collection Services Agreement, under which, MATES was appointed as sub-contractor of MTI for the provision of toll collection services. MTI is the appointed Facility Operator of the Project under a 7-year operation and maintenance agreement with the Parent Company.



MWC Group

MWC's Concession Agreement (the "Agreement")

On February 21, 1997, MWC entered into a Concession Agreement (the Concession Agreement) with MWSS, a government corporation organized and existing pursuant to Republic Act (RA) No. 6234, as amended, with respect to the MWSS East Zone (East Zone). The Concession Agreement sets forth the rights and obligations of MWC throughout a 25-year concession period. The MWSS Regulatory Office (MWSS-RO) monitors and reviews the performance of each of the Concessionaires – MCWC and Maynilad Water Services, Inc. (Maynilad), the West Zone Concessionaire.

Under the Concession Agreement, MWSS grants MWC (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under RA No. 6234) the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the East Zone for a period of 25 years commencing on August 1, 1997 (the Commencement Date) up to May 6, 2022 (the Expiration Date) or the early termination date as the case may be. While MWC has the right to manage, operate, repair and refurbish specified MWSS facilities in the East Zone, legal title to these assets remains with MWSS. The legal title to all fixed assets contributed to the existing MWSS system by MWC during the Concession remains with MWC until the Expiration Date (or until the early termination date) at which time all rights, titles and interest in such assets will automatically vest in MWSS.

On Commencement Date, MWC officially took over the operations of the East Zone and rehabilitation works for the service area commenced immediately thereafter. As provided in MWC's project plans, operational commercial capacity will be attained upon substantial completion of the rehabilitation work.

Under the Agreement, MWC is entitled to the following rate adjustments:

- a. Annual standard rate adjustment to compensate for increases in the consumer price index (CPI);
- b. Extraordinary price adjustment (EPA) to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the Concession Agreement;
- c. Foreign Currency Differential Adjustment (FCDA) to recover foreign exchange losses including accruals and carrying costs thereof arising from MWSS loans and any Concessionaire loans used for capital expenditures and concession fee payments, in accordance with the provisions set forth in Amendment No. 1 of the Concession Agreement dated October 12, 2001 (see Notes 2, 9 and 14); and
- d. Rebasing Convergence Adjustment for the purposes of calculating the Rates Adjustment Limit for each of the five Charging Years of the Rebasing Period determined based on the following:
 - i. where the Rebasing Adjustment is found to be positive, the Rebasing Convergence Adjustment for the first Charging Year of the Rate Rebasing Period shall be equal to the Rebasing Adjustment, and the Rebasing Convergence Adjustment for each of the following four Charging Years shall be zero; and
 - ii. where the Rebasing Adjustment is found to be negative, the Rebasing Adjustment for each of the five Charging Years of the Rebasing Period shall be equal to the Rebasing Adjustment divided by five.

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence Adjustment as defined in the Concession Agreement. The Concession Agreement also provides a general rate setting policy for rates chargeable by MWC for water and sewerage services as follows:

1. For the period through the second Rate Rebasing date (January 1, 2008), the maximum rates chargeable by MWC (subject to interim adjustments) are set out in the Concession Agreement.



2. From and after the second Rate Rebasing date, the rates for water and sewerage services shall be set at a level that will permit MWC to recover, over the 25-year term of the concession, its investment including operating, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on MWSS loans and MWC's loans incurred to finance such expenditures, and to earn a rate of return equal to the appropriate discount rate (ADR) on these expenditures for the remaining term of the concession.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five-year intervals commencing on the second Rate Rebasing date, provided that the MWSS-RO may exercise its discretion to make a general adjustment of such rates.

On April 16, 2009, the MWSS Board of Trustees passed Resolution No. 2009-072 approving the 15-year extension of the Concession Agreement (the Extension) from May 7, 2022 to May 6, 2037. This resolution was confirmed by the Department of Finance (DOF), by authority from the office of the President of the Republic of the Philippines, on October 19, 2009. The significant commitments under the Extension follow:

- a. To mitigate tariff increases such that there will be reduction of the balance of the approved 2008 rebased tariff by 66%, zero increase of the rebased tariff in 2009 and a ₱1.00 increase for years 2010 to 2016, subject to CPI and FCDA adjustments.
- b. To increase the share in the current operating budget support to MWSS by 100% as part of the concession fees starting 2009.
- c. To increase the total investments from the approved ₱187.00 billion for the periods 2008 to 2022 to ₱450.00 billion for 2008 to 2037.

With the approval of the Extension, the recovery period for MWC's investment is now extended by another 15 years from 2022 to 2037.

In March 2012, MWC submitted to MWSS a business plan embodying its rate rebasing proposals for charging year 2013. The rate rebasing activity is done every five (5) years. The MWSS conducted a review of the proposal including MWC's last five (5) years' financial performance. The financial review process extended up to the third quarter of 2013. On September 10, 2013, the MWSS-RO issued Resolution No. 13-09-CA providing for a negative rate rebasing adjustment of 29.47% on MWC's 2012 average basic water rate of ₱24.57 per cubic meter shall be implemented in 5 equal tranches of negative 5.894% per charging year. MWC objected to the MWSS' Rate Rebasing determination and formally filed its Dispute Notice on September 24, 2013, before a duly-constituted Appeals Panel, commencing the arbitration process, as provided under Section 12 (in relation to Section 9.4 of the Concession Agreement).

On December 10, 2013, the MWSS Board of Trustees, through MWSS-RO Resolution No. 13-012 CA, approved the implementation of a status quo for MWC's Standard Rates including FCDA until such time that the Appeals Panel has rendered a final award on the 2013 Rate Rebasing determination.

On April 21, 2015, MWC received the final award of the Appeals Panel in the arbitration which final award included the following tariff component determination:

- a. ₱28.1 billion Opening Cash Position (OCP) which restored ₱11.0 billion from the September 2013 OCP determination of MWSS of ₱17.1 billion;
- b. ₱199.6 billion capital expenditures and concession fees which restores ₱29.5 billion from the September 2013 future capital and concession fee expenditure of ₱170.1 billion;
- c. 7.61% Appropriate Discount Rate (ADR) which was an improvement of 79 bps from the post-tax ADR of 6.82% in September 2013; and
- d. Exclusion of corporate income tax from cash flows beginning January 1, 2013.



Consequently, the final award resulted in a rate rebasing adjustment for the period 2013 to 2017 of negative 11.05% on the 2012 basic average water charge of ₱25.07 per cubic meter. This adjustment translates to a decrease of ₱2.77 per cubic meter from the tariff during the intervening years before the 2018 rate rebasing. Annual CPI adjustments and the quarterly FCDA will continue to be made consistent with MWC's Concession Agreement with MWSS.

On December 10, 2015, MWC filed a Notice of Arbitration with the Permanent Court of Arbitration against the National Government. The Notice of Arbitration was filed with respect to a Notice of Claim made on the National Government on April 23, 2015 and reiterated on August 13, 2015 and October 20, 2015. The Notice of Claim was made under the Letter of Undertaking of the National Government, which was dated July 31, 1997 and issued through the DOF, and was subsequently reiterated in the DOF Letter dated October 19, 2009 (the "Sovereign Undertaking"). These were issued to guarantee the obligations of the MWSS under its Concession Agreement with MWC executed on February 21, 1997.

In the Sovereign Undertaking, the National Government, through the DOF, undertook to indemnify MWC against any loss caused by any action on the part of the National Government and/or the MWSS resulting in the reduction of the standard rates "below the level that would otherwise be applicable in accordance with the Concession Agreement", thereby denying MWC the rate of return "allowed from time to time to operators of long term infrastructure concession agreement in other countries having a credit standing similar to the Philippines" pursuant to Section 9.4 of the Concession Agreement. As a result of certain actions by the MWSS and the National Government, which are covered by the provisions of the Sovereign Undertaking, MWC demanded indemnification from the National Government by reimbursing its losses in operating revenues to be realized for each remaining year of the Concession as such losses are realized.

The MWSS Board of Trustees approves the FCDA adjustment quarterly. The FCDA has no impact on the net income of MWC, as the same is a recovery or refund mechanism of foreign exchange losses or gains. During 2015, the following FCDA adjustments and their related foreign exchange basis took effect.

Approval Date	FCDA Adjustment	Foreign Exchange Rate Basis
January 5, 2015	₱0.36 per cubic meter	USD1: ₱44.80 / JPY1: ₱0.42
September 9, 2015	₱0.05 per cubic meter	USD1: ₱45.26 / JPY1: ₱0.38
December 10, 2015	₱0.15 per cubic meter	USD1: ₱46.36 / JPY1: ₱0.39

The significant commitments of MWC under the Concession Agreement and Extension are as follows:

- a. To pay MWSS concession fees;
- b. To post a performance bond, bank guarantee or other security acceptable to MWSS amounting to US\$70.00 million in favor of MWSS as a bond for the full and prompt performance of MWC's obligations under the Agreement. The aggregate amounts drawable in one or more installments under such performance bond during the Rate Rebasing Period to which it relates are set out below.

Rate Rebasing Period	Aggregate amount drawable under performance bond (in US\$ millions)
First (August 1, 1997 - December 31, 2002)	US\$70.00
Second (January 1, 2003 - December 31, 2007)	70.00
Third (January 1, 2008 - December 31, 2012)	60.00
Fourth (January 1, 2013 - December 31, 2017)	60.00
Fifth (January 1, 2018 - December 31, 2022)	50.00
Sixth (January 1, 2023 - December 31, 2027)	50.00
Seventh (January 1, 2028 - December 31, 2032)	50.00
Eighth (January 1, 2033 - May 6, 2037)	50.00



Within 30 days from the commencement of each renewal date, MWC Company shall cause the performance bond to be reinstated in the full amount set forth above as applicable for that year.

Upon not less than 10-day written notice to MWC, MWSS may make one or more drawings under the performance bond relating to a Rate Rebasing Period to cover amounts due to MWSS during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Appeals Panel for adjudication until the Appeals Panel has handed down its decision on the matter.

In the event that any amount payable to MWSS by MWC is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid;

- c. With the Extension, MWC agreed to increase its annual share in MWSS operating budget by 100% from ₱100.0 million to ₱395.0 million, subject to annual CPI;
- d. To meet certain specific commitments in respect of the provision of water and sewerage services in the East Zone, unless deferred by MWSS-RO due to unforeseen circumstances or modified as a result of rate rebasing exercise;
- e. To operate, maintain, renew and, as appropriate, decommission facilities in a manner consistent with the National Building Standards and best industrial practices so that, at all times, the water and sewerage system in the East Zone is capable of meeting the service obligations (as such obligations may be revised from time to time by the MWSS-RO following consultation with MWC);
- f. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third party property;
- g. To ensure that at all times, MWC has sufficient financial, material and personnel resources available to meet its obligations under the Agreement; and
- h. To ensure that no debt or liability that would mature after the life of the Agreement will be incurred unless with the approval of MWSS.

MWC is committed to perform its obligations under the Concession Agreement and Extension to safeguard its continued right to operate the Concession.

LAWC's Concession Agreement

On April 9, 2002, LAWC entered into a concession agreement (as amended on March 31, 2004 and July 22, 2009) with PGL, a local government unit organized and existing under Philippine Laws.

Under the terms of the concession agreement, the PGL grants LAWC (as contractor and as agent for the exercise of certain rights in Laguna) the sole and exclusive right and discretion during the concession period to manage, occupy, operate, repair, maintain, decommission and refurbish the identified facilities required to provide water services to specific areas for an operational period of 25 years which commenced on October 20, 2004.

While LAWC has the right to manage, occupy, operate, repair, maintain, decommission and refurbish specified PGL facilities, legal title to these assets remains with PGL. Legal title to all assets procured by LAWC in the performance of its obligations under the agreement remains with LAWC and shall not pass to PGL until the end of the concession period at which time, LAWC will transfer, or if the ownership is vested in another person, cause the transfer to PGL. LAWC has the exclusive rights to provide water services in the service areas specified in the concession



agreement. Concession fees set forth in the concession agreement are computed as a percentage of revenue from water services.

Seventy percent (70%) of the concession fees are applied against any advances made by LAWC to PGL. The remaining thirty percent (30%) of the concession fees are payable annually 30 days after the submission of the audited financial statements by LAWC, from the start of the operational period.

On June 30, 2015, LAWC and the PGL signed an amendment to the concession agreement which expands the concession area to cover all cities and municipalities in the province of Laguna, as well as the service obligation to include the provision of wastewater services and the establishment of an integrated sewage and septage system in the province.

The significant commitments of LAWC under its concession agreement with PGL are as follows:

- a. To pay PGL concession fees;
- b. To manage, occupy, operate, repair, maintain, decommission, and refurbish the transferred facilities;
- c. To design, construct and commission the new facilities during the cooperation period;
- d. To provide and manage the services;
- e. To bill and collect payment from the customer for all services;
- f. To extract raw water exclusively from all sources of raw water; and
- g. To negotiate in good faith with PGL any amendment or supplement to the concession agreement to establish, operate and maintain wastewater facilities if doing such is financially and economically feasible.

On June 30, 2015, PGL and MWPV signed an amendment to their joint venture agreement dated November 10, 2000. Simultaneously, and consequent to the amendment of the joint venture agreement of LAWC, LAWC signed an amendment to its concession agreement with the PGL which includes the following:

- a) Expansion of its concession area to cover all cities and municipalities in the PGL; and
- b) Inclusion in the service obligations of Laguna Water the provision of wastewater services and the establishment of an integrated sewage and septage system in the province.

BIWC's Concession Agreement

On December 17, 2009, BIWC entered into a concession agreement with TIEZA, formerly Philippine Tourism Authority (PTA). The concession agreement sets forth the rights and obligations of BIWC as concessionaire throughout the 25-year concession period. The TIEZA Regulatory Office will monitor and review the performance of the concessionaire throughout the concession period.

Under the concession agreement, TIEZA grants BIWC the sole right to manage, operate, repair, decommission, and refurbish all fixed and movable assets (except certain retained assets) required to provide water delivery and sewerage services in the entire Boracay Island. The legal title to all fixed assets contributed to the existing TIEZA system by BIWC during the concession remains with BIWC until the expiration date (or the early termination date) at which time all rights, titles and interest in such assets will automatically vest in TIEZA.



As part of the agreement, BIWC advanced concession fees to TIEZA amounting to ₱60.0 million, which will be applied as payment of, and shall be offset against the annual concession fees payable to TIEZA equivalent to 5% of the annual gross revenue of BIWC.

Under its concession agreement, BIWC is entitled to the following rate adjustments:

- a. Annual standard rate adjustment to compensate for increases in the consumer CPI;
- b. EPA to account for the financial consequences of the occurrence of certain unforeseen events stipulated in the concession agreement; and
- c. FCDA to recover foreign exchange losses including accruals and carrying costs thereof arising from TIEZA loans and any loans used for capital expenditures and concession fee payments.

These rate adjustments are subject to a rate adjustment limit which is equivalent to the sum of CPI published in the Philippines, EPA and Rebasing Convergence adjustment as defined in BIWC's concession agreement.

The rate rebasing date is set every 5 years starting January 1, 2011. Hence, the first rate rebasing period commenced on January 1, 2010 and ended on December 31, 2010 and, in the case of subsequent rate rebasing periods, the period commencing on the last rate rebasing date and ending on December 31 of the fifth year thereafter.

BIWC requested for the deferment of the rate rebasing since it was not able to commence operations in June 2009, as originally planned, because the SEC required BIWC to seek conformity from the DOF before it could be incorporated.

In January 14, 2013, TIEZA approved the Rebasing Convergence adjustment for BIWC which is equivalent to an increase from its existing rates of 35% to be implemented on a staggered basis for a period of four years with a 10.10% increase in 2013; 9.18% in 2014; 8.40% in 2015; and 7.75% in 2016, effective starting February 1, 2013.

For 2013 and 2014, only the approved rate rebasing adjustment was implemented while the CPI adjustment was deferred due to economic considerations relative to the first time adjustment and natural calamities in 2013.

For 2015, the rate rebasing adjustment was implemented plus the catch-up CPI adjustment of 3.70% pertaining to 2013. In September 2015, BIWC also implemented the FCDA downward adjustment of 14.34% together with two CPIs of 2.70% and 4.40% pertaining to years 2014 and 2015, respectively.

The Agreement also provides a general rate setting policy for rates chargeable by BIWC for water and sewerage services as follows:

- a. For the period through the second rate rebasing date (January 1, 2016), the maximum rates chargeable by BIWC (subject to interim adjustments) are set out in the Agreement; and
- b. From and after the second rate rebasing date, the rates for water and sewerage services shall be set at a level that will permit BIWC to recover, over the 25-year term of its concession, its investment including operating expenses, capital maintenance and investment incurred, Philippine business taxes and payments corresponding to debt service on the TIEZA loans incurred to finance such expenditures, and to earn a rate of return on these expenditures for the remaining term of the concession in line with the rates of return being allowed from time to time to operators of long-term infrastructure concession arrangements in other countries having a credit standing similar to that of the Philippines.

The maximum rates chargeable for such water and sewerage services shall be subject to general adjustment at five-year intervals commencing on the second rate rebasing date, provided that the TIEZA may exercise its discretion to make a general adjustment of such rates.



Also part of the concession agreement, BIWC assumed certain property and equipment of BIWC Sewerage System (BWSS), as well as its outstanding loan from Japan International Cooperation Agency (JICA), considered as part of its TIEZA loans under the concession agreement, and regulatory costs.

As a result of the above terms of the concession agreement, BIWC recognized a total of ₱986.9 million service concession assets on commencement date. It includes the JICA loan assumed by BIWC, regulatory costs, construction costs for the improvement and expansion of the water and wastewater facilities and the advanced concession fees.

The significant commitments of BIWC under its concession agreement with TIEZA are as follows:

- a. To meet certain specific commitments in respect of the provision of water and sewerage services in the service area, unless deferred by the TIEZA Regulatory Office (TIEZA-RO) due to unforeseen circumstances or modified as a result of rate rebasing exercise;

- b. To pay concession fees, subject to the following provisions:

- i. Assumption of all liabilities of the BWSS as of commencement date and service such liabilities as they fall due. BWSS has jurisdiction, supervision and control over all waterworks and sewerage systems within Boracay Island prior to commencement date. The servicing of such liabilities shall be applied to the concession fees;
- ii. Payment of an amount equivalent to 5% of the monthly gross revenue of BIWC, inclusive of all applicable taxes. Such payments shall be subject to adjustment based on the gross revenue of BIWC as reflected in its separate financial statements;
- iii. Provision of the amount of the TIEZA BOD's approved budget in 2012, payable semi-annually and not exceeding:

Month	Maximum Amount
January	₱10,000,000
July	10,000,000

- iv. Provision of the annual operating budget of the TIEZA-RO, payable in 2 equal tranches in January and July and not exceeding:

Year	Maximum Amount
2011	₱15,000,000
2012	20,000,000
2013 and beyond	20,000,000, subject to annual CPI adjustment

- c. To establish, at Boracay Island, a TIEZA-RO building with staff house, the cost of which should be reasonable and prudent;
- d. To pay an incentive fee pegged at ₱1.00 per tourist, local and foreign, entering the service area;
- e. To raise financing for the improvement and expansion of the BWSS water and wastewater facilities;
- f. To operate, maintain, repair, improve, renew and, as appropriate, decommission facilities, as well as to operate and maintain the drainage system upon its completion, in a manner consistent with the National Building Standards and best industrial practices so that, at all



times, the water and sewerage system in the service area is capable of meeting the service obligations (as such obligations may be revised from time to time by the TIEZA-RO following consultation with BIWC);

- g. To repair and correct, on a priority basis, any defect in the facilities that could adversely affect public health or welfare, or cause damage to persons or third party property; and
- h. To ensure that at all times, BIWC has sufficient financial, material and personnel resources available to meet its obligations under the concession agreement.

In addition, MWC, as the main proponent of BIWC shall post a bank security in the amount of US\$2.50 million to secure MWC's and BIWC's performance of their respective obligations under the agreement. The amount of the performance security shall be reduced by MWC following the schedule below:

Rate Rebasing Period	Amount of Performance Security (in US\$ millions)
First	US\$2.50
Second	2.50
Third	1.10
Fourth	1.10
Fifth	1.10

On or before the start of each year, BIWC shall cause the performance security to be reinstated in the full amount set forth as applicable for that year.

Upon not less than 10 days written notice to BIWC, TIEZA may take one or more drawings under the performance security relating to a Rate Rebasing Period to cover amounts due to TIEZA during that period; provided, however, that no such drawing shall be made in respect of any claim that has been submitted to the Arbitration Panel for adjudication until the Arbitration Panel has handed its decision on the matter.

In the event that any amount payable to TIEZA by BIWC is not paid when due, such amount shall accrue interest at a rate equal to that of a 364-day Treasury Bill for each day it remains unpaid.

Failure of BIWC to perform any of its obligations that is deemed material by TIEZA-RO may cause the concession agreement to be terminated.

CWC's Concession Agreement

On March 16, 2000, Vivendi Water Philippines, Inc., which subsequently changed its name to Veolia Water Philippines, Inc (VWPI), entered into a concession agreement with CDC, a government corporation organized and existing under Executive Order No. 80, series of 1993. The concession agreement sets out the terms and conditions under which VWPI will finance, design, construct, operate and maintain the water and sewerage system inside the Clark Freeport Zone (CFZ) commencing on October 1, 2000 and ending on the date falling 25 years thereafter or as may be extended by the terms of the concession agreement. As the implementing arm of the Bases Conversion Development Authority and the regulatory and development body for the CFZ, CDC has the power and authority to regulate and monitor the performance and compliance of VWPI, or its assignee, with its obligations under the concession agreement.

On September 1, 2000, in accordance with the terms of the concession agreement, VWPI assigned its rights and obligations under the concession agreement to CWC by virtue of an assignment and assumption agreement between VWPI and CWC. As consideration for the grant of the concession and franchise to develop, operate and maintain the water and sewerage system within the CFZ, CWC pays CDC an annual franchise fee of ₱1.50 million. Any new construction, change, alteration, addition or improvement on the facilities is permitted to the extent allowed



under the agreement with CDC or with the prior written consent of CDC. Legal title, free of all liens and encumbrances, to improvements made or introduced by CWC on the facilities as well as title to new facilities procured by CWC in the performance of its obligations under the concession agreement shall automatically pass to CDC on the date when the concession period expires or the date of receipt of a validly served termination notice, in the latter case, subject to payment of the amount due as termination payments as defined in the concession agreement.

On September 29, 2000, CDC leased in favor of CWC the existing facilities in compliance with the condition precedent to the effectivity of and the respective obligations of CWC and CDC under the concession agreement. Under the lease agreement, CWC was required to make a rental deposit amounting to ₱2.8 million equivalent to six months lease rental and a performance security amounting to ₱6.7 million to ensure the faithful compliance of CWC with the terms and conditions of the lease agreement. CWC pays semi-annual rental fees of ₱2.8 million amounting to a total of ₱138.3 million for the entire concession period. The lease term shall be co-terminus with the concession period unless sooner terminated for any of the reasons specified in the concession agreement.

On August 15, 2014, CWC and CDC signed an amendment agreement to the concession agreement dated March 16, 2000. The amendment provides for the following:

- Extension of the original concession period for another 15 years up to October 1, 2040;
- Additional investment of ₱4.0 billion provided under the amended concession agreement to be spent for further improvement and expansion water and waste water services in the area. Investment requirement under the original concession agreement amounted to ₱3.0 billion and the amended concession agreement required an additional of ₱2.0 billion. Initial investment prior to the amendment of the concession agreement amounted to ₱1.0 billion.
- Introduction of a rate rebasing mechanism for every four years starting 2014.
- Reduction in tariff rates by 3.9% (from Php25.63/m³ to Php24.63/m³) effective September 1, 2014, subject to the Extraordinary Price Adjustment.
- Increase in tariff rates by:
 - ₱0.41/m³ (from Php24.63/m³ to Php25.04/m³) in 2018;
 - ₱0.42/m³ (from Php25.04/m³ to Php25.45/m³) in 2019;
 - ₱0.42/m³ (from Php25.45/m³ to Php25.87/m³) in 2020; and
 - ₱0.43/m³ (from Php25.87/m³ to Php26.30/m³) in 2021.

As a result of the extension of the concession period, service concession assets and service concession obligation as of August 15, 2014 increased by ₱56.58 million. Further, the recovery period of the CWC's investment is now extended by another 15 years from 2025 to 2040.

On July 28, 2014, CWC's BOD approved and authorized the equity restructuring of CWC. CWC converted 700 issued and outstanding common stock to redeemable preferred stock with par value of ₱100.00 per share. Subsequently, on September 29, 2014, CWC redeemed all issued and outstanding preferred stock.

The significant commitments of CWC under its concession agreement with CDC are follows:

- a. To pay franchise and rental fees of CDC;
- b. Finance, design, and construct new facilities - defined as any improvement and extension works to (i) all existing facilities - defined as all fixed and movable assets specifically listed in the concession agreement; (ii) construction work - defined as the scope of construction work set out in the concession agreement; and (iii) other new works that do not constitute refurbishment or repair of existing facilities undertaken after commencement date;



- c. Manage, exclusively possess, occupy, operate, repair, maintain, decommission and refurbish the existing facilities, except for the private deep wells set out in the concession agreement, the negotiations for the acquisition and control of which shall be the sole responsibility and for the account of the CWC; and manage, own, operate, repair, maintain, decommission and refurbish the new facilities;
- d. Treat raw water and wastewater in CSEZ;
- e. Provide and manage all water and wastewater related services like assisting locator of relocating of pipes and assess internal leaks;
- f. Bill and collect payment from the customers for the services (with the exception of SM City Clark). SM City Clark has been carved out by virtue of Republic Act 9400 effective 2007 even if it is located within the franchise area; and
- g. Extract raw water exclusively from all sources of raw water including all catchment areas, watersheds, springs, wells and reservoirs in CFZ free of charge by CDC.

On August 15, 2014, the CWC and CDC signed an amendment agreement to the concession agreement dated March 16, 2000. The Amendment provides for the following:

- a. Extension of the original concession period for another 15 years up to October 1, 2040;
- b. Additional investment of ₱4.0 billion provided under the amended concession agreement to be spent for further improvement and expansion water and waste water services in the area. Investment requirement under the original concession agreement amounted to ₱3.0 billion and the amended concession agreement required an additional investment of ₱2.0 billion. Total investment prior to the amendment of the concession agreement amounted to ₱1.0 billion;
- c. Introduction of rate rebasing mechanism for every four years starting 2014;
- d. Reduction in tariff rates by 3.9% (from ₱25.63/m³ to ₱24.63/m³) effective September 1, 2014, subject to the Extraordinary Price Adjustment; and
- e. Increase in tariff rates by:
 - ₱0.41/m³ (from ₱24.63/m³ to ₱25.04/m³) in 2018
 - ₱0.42/m³ (from ₱25.04/m³ to ₱25.45/m³) in 2019
 - ₱0.42/m³ (from ₱25.45/m³ to ₱25.87/m³) in 2020
 - ₱0.43/m³ (from ₱25.87/m³ to ₱26.30/m³) in 2021

As a result of the extension of the concession period, service concession assets and service concession obligation as of August 15, 2014 increased by ₱56.6 million. Further, the recovery period of the CWC's investment is now extended by another 15 years from 2025 to 2040.

On July 28, 2014, CWC's BOD approved and authorized the equity restructuring of CWC. CWC converted 700 issued and outstanding common stock to redeemable preferred stock with par value of ₱100.00 per share. Subsequently, on September 29, 2014, CWC redeemed all issued and outstanding preferred stock.

On August 15, 2014 CWC and CDC signed an amendment agreement to their Concession Agreement dated March 16, 2000 (the Amendment). The Amendment provides for, among others, the (a) extension of the original concession period for another fifteen years; (b) additional investment by CWC of ₱5.0 billion for the entire concession period, as extended, to be spent for the further improvement and expansion of water and wastewater services in the service area; and (c) the introduction of rebasing mechanism that will enable CWC to recover its investment at a reasonable tariff to the locators and residents of CDC in the service area.



MW Consortium Agreement with the Provincial Government of Cebu (PGC)

On March 21, 2012, MW Consortium signed a joint investment agreement with the PGC for the formation of a joint venture company with 51% and 49% equity participation for MW Consortium and the PGC, respectively. Under the joint investment agreement, the parties agreed to develop and operate a bulk water supply system that will supply 35.0 million liters of water per day to target areas in the province of Cebu with the joint venture company serving as a bulk water supplier. The term of the agreement is 30 years starting March 2012 and renewable for another 25 years. MW Consortium and the PGC incorporated Cebu Manila Water Development, Inc. (CMWDI), with an ownership of 51% and 49%, respectively, pursuant to the joint investment agreement.

On December 13, 2013, CMWDI received a Notice of Award for the bulk supply of water to the Metropolitan Cebu Water District (MCWD). On December 18, 2013, CMWDI and MCWD signed a 20-year Bulk Water Supply Contract for the supply of 18.0 million liters per day of water for the first year and 35.00 million liters per day of water for years 2 up to 20. CMWDI delivered its initial 18.0 million liters per day bulk water supply to MCWD on January 5, 2015. CMWDI will increase its bulk water delivery to 35.0 million liters per day in 2016.

Memorandum of Understanding (MOU) with Yangon City Development Committee (YCDC)

On March 17, 2014, MWC and Mitsubishi Corporation, signed a MOU with the YCDC in Yangon City, Myanmar for the development of a proposed NRW project for Yangon City. YCDC is an administrative body of the city government in Yangon in charge of the water, infrastructure, business licenses and city property management, among others.

As of December 31, 2015, MWC, through its subsidiary, Manila Water Asia Pacific Pte. Ltd. (MWAP), is in the process of laying down the groundwork for its pilot NRW reduction project in Yangon.

ZWCI's Concession Arrangement

On December 19, 2014, MWC received a notice from the Zamboanga City Water District (ZCWD) awarding the project for non-revenue water reduction (NRW) reduction activities in Zamboanga City, Zamboanga. On January 30, 2015, MWC and ZCWD signed and executed a joint venture agreement in relation to the NRW reduction project in Zamboanga City.

On June 2, 2015, Zamboanga Water Company, Inc. (ZWCI), the joint venture company which is 70% owned by MWC, entered into a Non-revenue Water Reduction Service Agreement (NRWSA) with ZCWD. Under the NRWSA, ZCWD grants the ZWCI the right to implement Network Restructuring and Non-Revenue Water Reduction Programs for ZCWD's water distribution system.

The project will run for 10 year period, beginning June 2, 2015, with 3 phases namely:

- a. Network Improvement Program (DMA Formation) and NRW Reduction Program (Service Line and Meter Replacement, Active Leak Detection and Repair) – from Year 1 to 5
- b. Maintenance Period – in Year 6
- c. Technical Assistance and Consultancy – from Year 7 to 10

In consideration of the above, ZCWD shall pay ZWCI the following:

- a. Fixed Fees of ₱16.00 million (VAT inclusive, subject to annual inflation adjustment), payable quarterly in equal amounts of ₱4.00 million.
- b. Performance Fees of ₱11.00 per cubic meter volume recovered (VAT inclusive, subject to annual inflation adjustment), payable quarterly

The annual fixed fees shall cover for the total cost of the Network Restructuring Program (from Year 1 to 5) and overhead and miscellaneous costs (from Year 1 to 10).



Joint Venture for NRW Reduction Activities by Asia Water Network Solutions Joint Stock Company (Asia Water) and Saigon Water Infrastructure Corporation (Saigon Water)

On April 22, 2015, Asia Water was granted the Investment Certificate from the Department of Planning and Investment of Ho Chi Minh City, Vietnam. Asia Water is a joint venture between MWSAH and Saigon Water which aims to carry out activities such as NRW reduction management, waste system design and construction, and operation and management of distribution system and network. MWSAH, a wholly owned subsidiary of MWC, effectively owns a 64.71% stake in Asia Water as of December 31, 2015.

Joint Venture for the Tagum City Bulk Water Supply Project with Tagum Water District (TWD)

On July 28, 2015, the TWD awarded the Tagum City Bulk Water Supply Project to the consortium of MWC and iWater, Inc. On October 15, 2015, Davao del Norte Water Infrastructure Company, Inc. (Davao Water), the joint venture company of MWC and iWater, Inc., signed and executed a joint venture agreement with the TWD. Under the said agreement, Davao Water and the TWD shall cause the incorporation of a joint venture company which shall implement the Bulk Water Supply Project for 15 years from the operations start date as defined in the joint venture agreement. Tagum Water, the joint venture company, which is 90% and 10% owned by Davao Water and TWD, was registered with the SEC on December 15, 2015. Tagum Water will develop supplemental surface water resources that will deliver potable bulk water to TWD.

MWSAH Capital Transfer Agreement with Saigon Water

On November 3, 2015, MWSAH completed the execution of a Capital Transfer Agreement with Saigon Water for the acquisition of 24.5% of the charter capital of Cu Chi Water in the total amount of VND154.35 billion. Pursuant to the capital transfer agreement, Saigon Water entered into a put option agreement with MWSAH and VIAC (No 1) Limited Partnership.

MWAP MOU with the PDAM Tirtawening Kota Bandung (PDAM Bandung)

On November 6, 2015, MWAP signed a MOU with the PDAM Bandung in Bandung City, West Java, Indonesia. PDAM Bandung is a water utility company owned and controlled by the Regional Government of Bandung City.

Pursuant to the MOU, MWAP shall conduct a Demonstration Project for NRW reduction in Bandung City, Indonesia as the first step in the implementation of other cooperation schemes for the development of PDAM Bandung services in accordance with the prevailing Indonesian laws and regulations. MWAP and PDAM Bandung intend to cooperate to undertake the Demonstration Project towards the successful realization of the cooperation scheme. The execution of the MOU is in line with the MWC Group's strategic objective to pursue expansion projects and investments outside of the East Zone business area.

MWC Management Contracts

Vietnam Project

On July 22, 2008, MWC entered into a Performance-Based Leakage Reduction and Management Services Contract with Saigon Water Corporation. The contract involves the following components:

- a. General requirements;
- b. District Metering Area establishment;
- c. Leakage reduction and management services;
- d. System expansion work;
- d. Emergency and unforeseen works; and
- e. Daywork schedule.

On August 19, 2014, the management contract with SAWACO expired. In 2014, total revenue from the Vietnam Project amounted to ₱25.49 million. Total costs related to the Vietnam Project amounted to ₱51.9 million, ₱54.3 million and ₱96.2 million in 2015, 2014 and 2013, respectively. Costs arising from the management contract in 2015 pertain to maintenance, manpower and other



administrative expenses arising from the winding down of the project which is expected to be finalized by February 2016.

MWC contracts with the Maynilad Water Services, Inc. (Maynilad)

In relation to the Concession Agreement with MWSS, MWC entered into the following contracts with Maynilad:

- a. Interconnection Agreement wherein the two Concessionaires shall form an unincorporated joint venture that will manage, operate, and maintain interconnection facilities. The terms of the agreement provide, among others, the cost and the volume of water to be transferred between zones.
- b. Joint Venture Arrangement that will operate, maintain, renew, and as appropriate, decommission common purpose facilities, and perform other functions pursuant to and in accordance with the provisions of the Agreement and perform such other functions relating to the concession (and the concession of the West Zone Concessionaire) as the Concessionaires may choose to delegate to the joint venture, subject to the approval of MWSS.
- c. In March 2010, MWSS entered into a loan agreement with The Export-Import Bank of China to finance the Angat Water Utilization and Aqueduct Improvement Project Phase II (the Project). Total loan facility is US\$116.6 million with maturity of 20 years including 5 years grace period. Interest rate is 3% per annum. MWSS then entered into a MOA with MWC and Maynilad for MWC and Maynilad to shoulder equally the repayment of the loan, to be part of the concession fees.

ACEHI

On September 9, 2015, Conergy Asia & Me Pte. Ltd. and Monte Solar Energy entered into an offshore supply contract for the development of 18 MW solar power plant in Bais, Negros Oriental.

On May 15, 2014, GNPk entered into an Engineering, Design and Procurement Agreement, Construction and Supply Agreement and Coordination Agreement with Shanghai Electric Power Construction Co. Ltd., the effectivity of which was conditioned on the happening of certain conditions precedent, such as the closing of project financing for GNPk. GNPk is the project company for the 4 x 135MW Coal Fired Power Generation Facility in Kauswagan, Lanao Del Norte

On December 23, 2014, ACEHI entered into an Equity Contribution Agreement with GNPk, Citicorp International Limited in its capacity as offshore collateral agent and certain other parties, whereby ACEHI agreed to provide its proportionate share in the equity required for the construction of the Kauswagan Power Plant Project. On even date, GNPk, ACEHI and Citicorp International Limited, in its capacity as Offshore Collateral Agent for the secured parties, signed an equity subscription undertaking whereby GNPk agreed to make timely capital subscriptions of up to US\$281 million into ACEHI under the subscription agreement as and when required thereunder to support ACEHI's commitments under the Equity Contribution Agreement.

On December 22, 2014, ACEHI and GNPk executed a Contract of Lease and Access Agreement for certain parcels of land in Kauswagan, Lanao del Norte with an area of approximately 608,642 square meters. The lease is for 50 years and payments will start in 2015.

On December 23, 2014, the Kauswagan Power Holding Limited Partnership Agreement (KPHLC LPA) and GNPk Kauswagan Limited Partnership Agreement (GNPk LPA) were amended to facilitate the subscription by PINAI investors for the Class C limited partnership interest in KPHLC and Class B interests in GNPk. Total aggregate committed capital of PINAI and ACEHI per LPA will be up to US\$110.0 million and US\$281.0 million, respectively.



AEI

Cooperation Agreements with Universities

As of December 31, 2015, AEI has cooperation agreements with Arellano University, Emilio Aguinaldo College and Jose Rizal University for various junior college and college programs.

36. Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable.

In the opinion of the Group's management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

MWC

On October 13, 2005, the Municipality of Norzagaray, Bulacan assessed MWC and Maynilad Water Services, Inc. (jointly, the Concessionaires) real property taxes on certain common purpose facilities registered in the name of and owned by MWSS purportedly due from 1998 to 2005 amounting to ₱357.1 million. On November 15, 2010, the local government of Quezon City demanded the payment of ₱302.7 million for deficiency real property taxes from MWSS on MWSS properties within its territorial jurisdiction. The assessments from the municipality of Norzagaray and Quezon City have been questioned by the Concessionaires and MWSS, and are pending resolution before the Central Board of Assessment Appeals and Supreme Court, respectively.

Total provisions amounted to ₱718.6 million as of December 31, 2015 and 2014.

37. Assets Held in Trust

MWSS

MWC is granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Agreement. The legal title to all movable property in existence at the Commencement Date, however, shall be retained by MWSS and upon expiration of the useful life of any such movable property as may be determined by MWC, such movable property shall be returned to MWSS in its then-current condition at no charge to MWSS or MWC.

The Agreement also provides for the Concessionaires to have equal access to MWSS facilities involved in the provision of water supply and sewerage services in both East and West Zones including, but not limited to, the MWSS management information system, billing system, telemetry system, central control room and central records.

The net book value of the facilities transferred to MWC on Commencement Date based on MWSS' closing audit report amounted to ₱4.6 billion with a sound value of ₱10.4 billion.

In 2015, MWC engaged the services of Royal Asia Appraisal Corporation to conduct a re-appraisal of the assets managed by MWC as of 2014, based on the asset registry as of December 31, 2013. Total reproduction cost as of December 31, 2015 amounted to ₱123.47 billion with a sound value of ₱69.10 billion.

MWSS' corporate headquarters is made available to the Concessionaires starting August 1, 1997, subject to periodic renewal by mutual agreement of the parties. On October 27, 2006, MWC has renewed the lease for 5 years, with expiry of October 27, 2011. Rent expense amounted to ₱18.45 million, ₱16.91 million and ₱16.99 million in 2015, 2014 and 2013, respectively. These are included under "Rental and utilities" in the consolidated statement of income.



In March 2015, MWC and MWSS entered into an agreement for the lease of a portion of the San Juan Reservoir and Aqueduct Complex being utilized by MWC as stockyard for its pipes and other materials. The lease agreement shall continue to be in effect until the termination of the Concession Agreement. Rent expense recognized in 2015 amounted to ₱170.45 million.

PGL

LAWC is granted the right to manage, occupy, operate, repair, maintain, decommission and refurbish the property required to provide water services under its concession agreement with PGL. The legal title of all property in existence at the commencement date shall be retained by PGL. Upon expiration of the useful life of any such property as may be determined by LAWC, such property shall be returned to PGL in its then condition at no charge to PGL or LAWC.

In 2014, LAWC engaged the services of Cuervo Appraisers to conduct a re-appraisal of PGL assets on record as of December 31, 2013. Total replacement cost as of December 31, 2013 amounted to ₱2.1 billion with a sound value of ₱1.6 billion.

TIEZA

BIWC is granted the right to operate, maintain in good working order, repair, decommission and refurbish the movable property required to provide the water and sewerage services under the Agreement. The legal title to all movable property in existence at the commencement date, however, shall be retained by TIEZA and upon expiration of the useful life of any such movable property as may be determined by MWC, such movable property shall be returned to TIEZA in its then-current condition at no charge to TIEZA or MWC.

The net book value of the facilities transferred to MWC on commencement date based on TIEZA's closing audit report amounted to ₱618.2 million.

38. Renewable Energy Act of 2008

Republic Act No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective on January 30, 2009. The Act aims to:

(a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

As provided for in the Act, Renewable Energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the Department of Energy (DOE), in consultation with the Board of Investments, shall be entitled to the following incentives, among others:

- i. Income Tax Holiday (ITH) - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;



- ii. Duty-free Importation of RE Machinery, Equipment and Materials - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
- iii. Special Realty Tax Rates on Equipment and Machinery - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed 1.5% of their original cost less accumulated normal depreciation or net book value;
- iv. NOLCO - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
- v. Corporate Tax Rate - After seven (7) years of ITH, all RE developers shall pay a corporate tax of 10% on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
- vi. Accelerated Depreciation - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
- vii. Zero Percent VAT Rate - The sale of fuel or power generated from renewable sources of energy shall be subject to 0% VAT;
- viii. Cash Incentive of RE Developers for Missionary Electrification - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to 50% of the universal charge for power needed to service missionary areas where it operates the same;
- ix. Tax Exemption of Carbon Credits - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and

Tax Credit on Domestic Capital Equipment and Services - A tax credit equivalent to 100% of the value of the value-added tax and customs duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act.

In addition, to accelerate the development of emerging renewable energy resources, a feed-in tariff system for electricity produced from wind, solar, ocean, run-of-river hydropower and biomass will be promulgated which shall include, but not limited to, the following:

- a. Priority connections to the grid for electricity generated from emerging renewable energy resources;
- b. The priority purchase and transmission of, and payment for, such electricity by the grid system operators; and
- c. Determine the fixed tariff to be paid to electricity produced from each type of emerging renewable energy and the mandated number of years for the application of these rates, which shall not be less than twelve (12) years.

The feed-in tariff to be set shall be applied to the emerging renewable energy to be used in compliance with the renewable portfolio standard as provided for in the Act and in accordance with the feed-in-tariff rules to be promulgated by the Energy Regulatory Commission (ERC) in consultations with the National Renewable Energy Board. On July 27, 2012, ERC approved the feed-in tariff of 8.53 kilowatt per hour (kWh) for wind renewable energy resource. The approved



subsidy will be reviewed and readjusted, if necessary, after its three-year initial implementation or when the target installed capacity for each renewable resource set by the DOE has been met.

RE developers and local manufacturers, fabricators and suppliers of locally-produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.

Within six (6) months from the effectivity of the Act, the DOE shall, in consultation with the Senate and House of Representatives Committee on Energy, relevant government agencies and RE stakeholders, promulgate the Implementing Rules and Regulations of the Act. On May 25, 2009, the DOE issued the Implementing Rules and Regulations of the Act which became effective on June 12, 2009.

ACEHI and its subsidiaries expect that the Act will impact their future operations and financial results. The impact of the Act will be disclosed as the need arises.

Northwind

On January 18, 2010, Northwind filed its intent with the REMB for the conversion of its Negotiated Commercial Contract into Wind Energy Service Contract and Registration as RE Developer as provided for under the Act. On November 9, 2010, the DOE issued a Provisional Certificate of Registration as an RE Developer in favor of Northwind, subject to negotiation and execution of a Wind Energy Service Contract to replace the Negotiated Commercial Contract.

On April 6, 2011, Northwind filed with the ERC an application for a Feed-In Tariff (FiT). The FiT will provide for a fixed rate per kilowatt of electricity produced over a period of fifteen years. On June 6, 2011, the ERC granted Northwind a provisional FiT rate of ₱9.30 per kilowatt hour which shall be effective and collected only upon the final approval of the FiT for emerging renewable energy technologies, specifically for wind energy.

On October 10, 2014, the DOE granted Northwind a Certificate of Endorsement for Feed-In Tariff (FiT) Eligibility (COE-FiT No. 2014-10-001) for its Phase III expansion project. The endorsement qualifies the Phase III expansion under the FiT System and accordingly, will be granted the national FiT for wind projects amounting to 8.53/kWh. The endorsement shall be the basis for the Energy Regulatory Commission (ERC) to issue a FiT Certificate of Compliance.

On November 11, 2014, commercial operations of the wind farm projects started in accordance with the COE. On April 13, 2015, the FiT COC was subsequently issued for both the 19-MW wind farm expansion in Bangui under Northwind and the 81-MW wind farm in Caparispisan, Pagudpud under NLREC for a period of 20 years. The FiT rate covers the period October 10, 2014 to October 9, 2034 for Northwind's 19MW Phase III wind farm and November 11, 2014 to November 10, 2034 for NLREC's 81MW project.

For the period from November 11, 2014 to December 31, 2014, the Northwind generated 30.07 million kilowatt-hours of electricity from the Wind Farm Project which was entirely sold to Wholesale Electricity Spot Market (WESM). Such generation resulted to revenue (earned from WESM) amounting to Php 75.21 million (Ph2.50/kWh) from November 11 to December 31, 2014. The Actual FiT Differential amounted to Php 183.02 million.

On June 5, 2015, NorthWind and NLREC collected the first FiT differential payment from Transco.



39. Events after the Reporting Period

Parent Company

- a) On March 10, 2016, the BOD of the Parent Company approved the application with the SEC of a ₱20.0 billion Shelf Registration with a validity of three (3) years to finance the Parent Company's funding requirements in 2016-2017.

AYC Finance, Ltd.

- a) In March 2016, AYC Finance, Ltd. undertook the following transactions:
 - i. Increased the existing Bilateral Term Loan Facility with The Bank of Tokyo-Mitsubishi UFJ, Ltd from up to US\$100.0 million to up to US\$200.0 million with interest rates at certain basis points over LIBOR and maturing in September 2022. The loan facility is guaranteed by the Parent Company.
 - ii. Conversion of the US\$200.0 million Club Term Loan facility into Revolving Credit facility with Mizuho Bank, Ltd. and Sumitomo Mitsui Banking Corporation with interest rates at certain basis points over LIBOR and maturing in March 2020. The loan facility is guaranteed by the Parent Company.

ALI Group

- a) On January 12, 2016, ALI entered into a partnership with Manila Water Philippine Ventures, Inc, a wholly owned subsidiary of MWC for the waterworks of ALI's projects nationwide. The MOA was signed by ALI and its subsidiaries and affiliates Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp.
- b) ALI and LT Group, Inc. entered into an agreement on January 21, 2016 to jointly develop a project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.
- c) On March 8, 2016, the SEC approved the application for registration of the ₱50.0 billion bond due 2026 with an initial tranche of ₱8.0 billion at a fixed rate equivalent to 4.85% per annum. The bonds are set to be issued on March 23, 2016 upon receipt of the Permit to Sell Securities to the Public from the SEC.
- d) In February 2016, ALI purchased additional 1,078,500 common shares of CHI from BPI Securities totaling ₱4.1 million. This brings ALI's ownership from 56.36% to 56.67% of total outstanding capital stock of CHI.
- e) On February 24, 2016, ALI and POPI executed a Deed of Subscription and Supplement to the Deed of Subscription. These agreements are for ALI's acquisition of 2.5 billion common shares of POPI for ₱2.25 per share or a total subscription price of ₱5.6 billion which represents 51.06% ownership in POPI.
- f) On February 26, 2016, the BOD of ALI approved the declaration of the following cash dividends:
 - i. ₱0.238 per share on the outstanding common shares; and
 - ii. ₱0.0047 per share or 4.74786% per annum on the unlisted voting preferred shares.

The dividends on common shares will be paid on March 23, 2016 to stockholders of record as of March 11, 2016 and the dividends on the unlisted preferred shares will be paid on June 29, 2016 to stockholders of record as of June 15, 2016.

- g) On February 26, 2016, the BOD of ALI granted to qualified executives covering up to 17,958,997 common shares at a subscription price of ₱26.27 per share, equivalent to the average closing price of ALI's common shares at the PSE for 30 consecutive trading days ending February 24, 2016, net of 15% discount.



- h) On March 1, 2016, SIAL Specialty Retailers, Inc. (SIAL), a joint venture company of ALI and SSI Group, Inc., entered into a Deed of Absolute Sale with Metro Retail Stores Group, Inc. to sell fixed assets in SIAL's department stores located at Fairview Terraces and UP Town Center.

IMI Group

- a) On January 20, 2016, a fire broke out in one of the operations buildings at IMI's facility in Jiaxing, China. The estimated financial effect is yet to be determined by the Group.
- b) On February 9, 2016, the BOD of IMI approved the declaration of cash dividend of \$0.0046 (₱0.2204) per share to all outstanding common shares as of record date of February 26, 2016 payable on March 10, 2016.

MWC Group

- a) On February 26, 2016, Tagum Water and TWD signed and executed a Bulk Water Sales and Purchase Agreement for the supply of bulk water to TWD for a period of fifteen (15) years from the operations start date. Tagum Water will have the sole and exclusive right and responsibility during the term of the agreement to:
- Develop raw surface water sources in Hijo River;
 - Plan, develop, design, build and test the facilities;
 - Implement the project;
 - Manage, use, occupy, operate, repair, maintain, upgrade and develop the facilities; and
 - Supply treated water to TWD for distribution to its network.
- b) On February 26, 2016, the BOD of MWC approved the declaration of the following cash dividends for the first semester of 2016:
- i. ₱0.4167 per share on the outstanding common shares; and
 - ii. ₱0.04167 per share on the outstanding participating preferred shares.

The dividends are payable on March 23, 2016 to shareholders of record as of March 11, 2016.

ACEHI Group

- a) On February 26, 2016, Unit 2 of the 135 MW power plant of SLTEC in Calaca, Batangas started its commercial operations.
- b) In February 2016, Monte Solar completed and energized the initial 18MW solar power farm located near the Cebu-Negros undersea cable. Monte Solar has met all the requirements set forth by the Department of Energy and the National Grid Corporation of the Philippines and has since been dispatching the full 18MW to the grid.

AC Infra Group

- a) On February 12, 2016, LRMC signed the following:
- i. Engineering, Procurement and Construction agreement with Bouygues Travaux Publics and Alstom Transport for the LRT 1 Cavite Extension project.
 - ii. 15-year Omnibus Loan and Security Agreement with various local banks aggregating to ₱24.0 billion to be used for LRT 1 Cavite Extension project and rehabilitation of the existing LRT 1 system in the amount of ₱15.3 billion and ₱8.7 billion, respectively.

Globe

- a) On February 5, 2016, the BOD of Globe approved the declaration of cash dividends of ₱22.00 per share on the outstanding common shares. The dividends will be paid on March 4, 2016 to shareholders of record as of February 22, 2016.

BPI

- a) On January 4, 2016, the BOD of BPI approved the grant to qualified participants about 3.275 million shares for ESOP 2015 and about 8.0 million shares for Executive Stock Purchase Plan (ESPP) 2015.



40. Approval of the Consolidated Financial Statements

The consolidated financial statements of Ayala Corporation and Subsidiaries (the Group) as of December 31, 2015, 2014 and 2013 and for each of the three years in the period ended December 31, 2015 were endorsed for approval by the Audit Committee on March 3, 2016 and authorized for issue by the Board of Directors (BOD) on March 10, 2016.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Corporation
Tower One, Ayala Triangle
Ayala Avenue, Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Corporation and its subsidiaries as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated March 10, 2016. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Schedules A to K listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

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

February 14, 2013, valid until April 30, 2016

Tax Identification No. 102-082-365

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

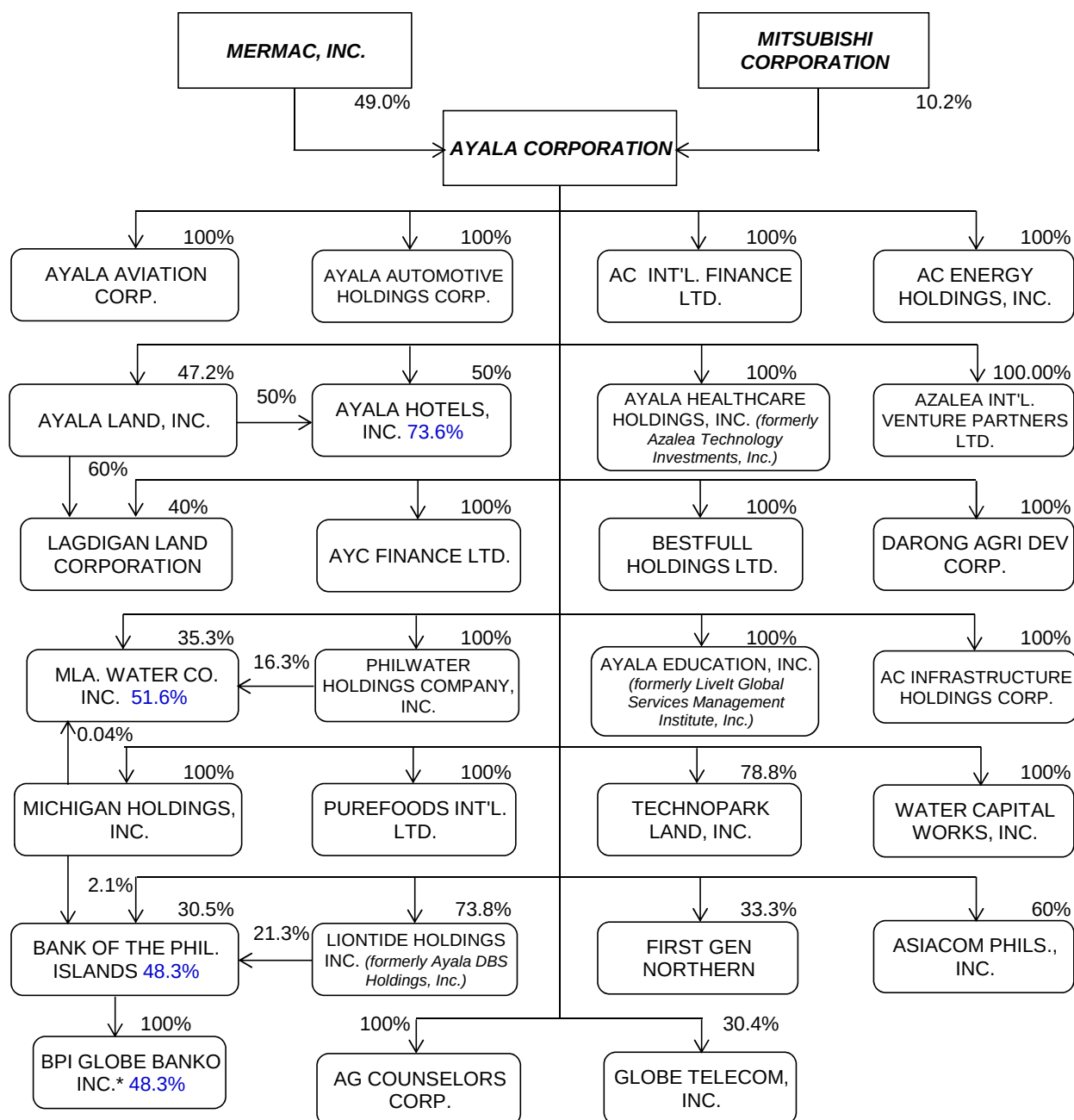
March 24, 2015, valid until March 23, 2018

PTR No. 5321616, January 4, 2016, Makati City

March 10, 2016



AYALA CORPORATION AND SUBSIDIARIES
CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015



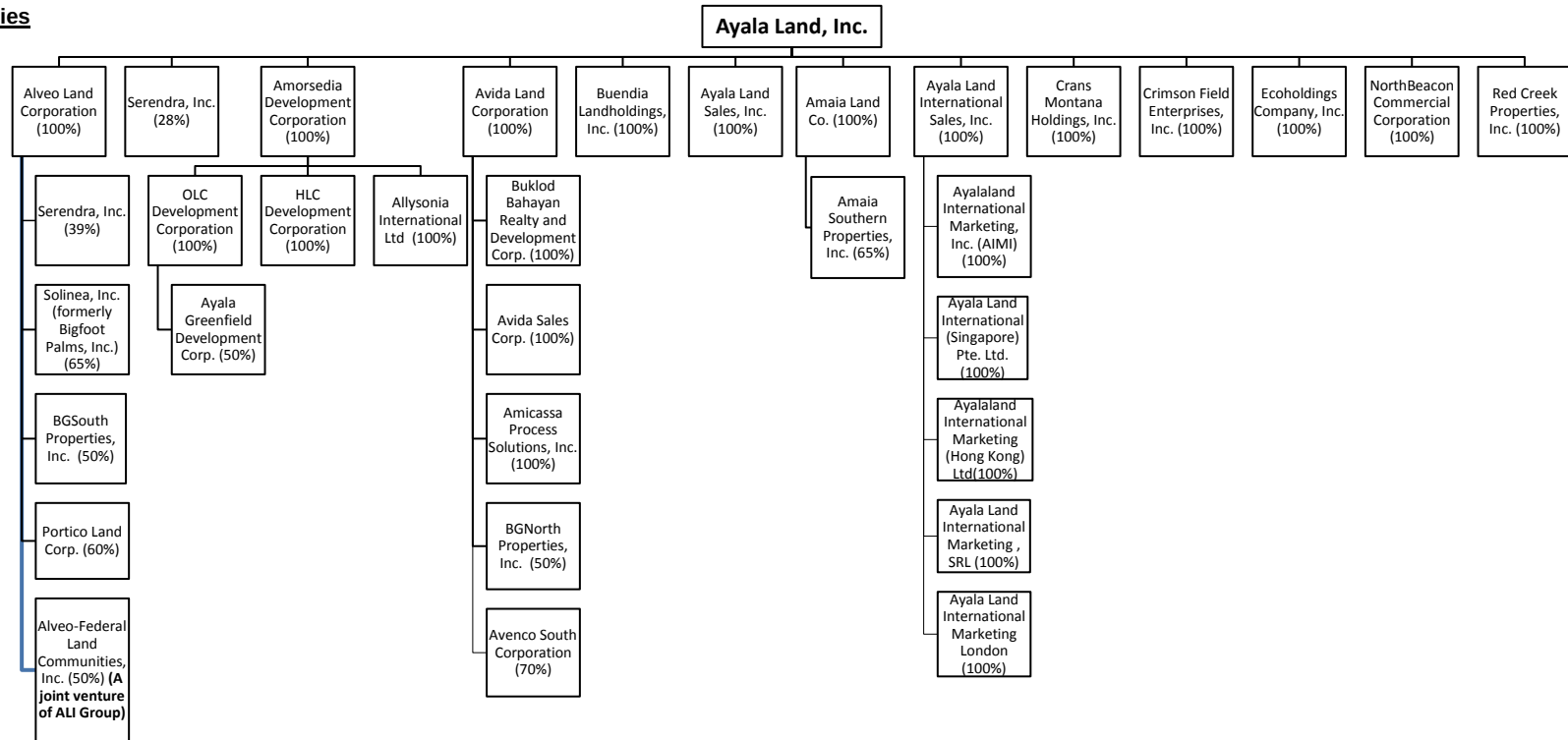
* BPI acquired the ownership share of AC (20%) and Globe (40%) in BPIG in December 2015

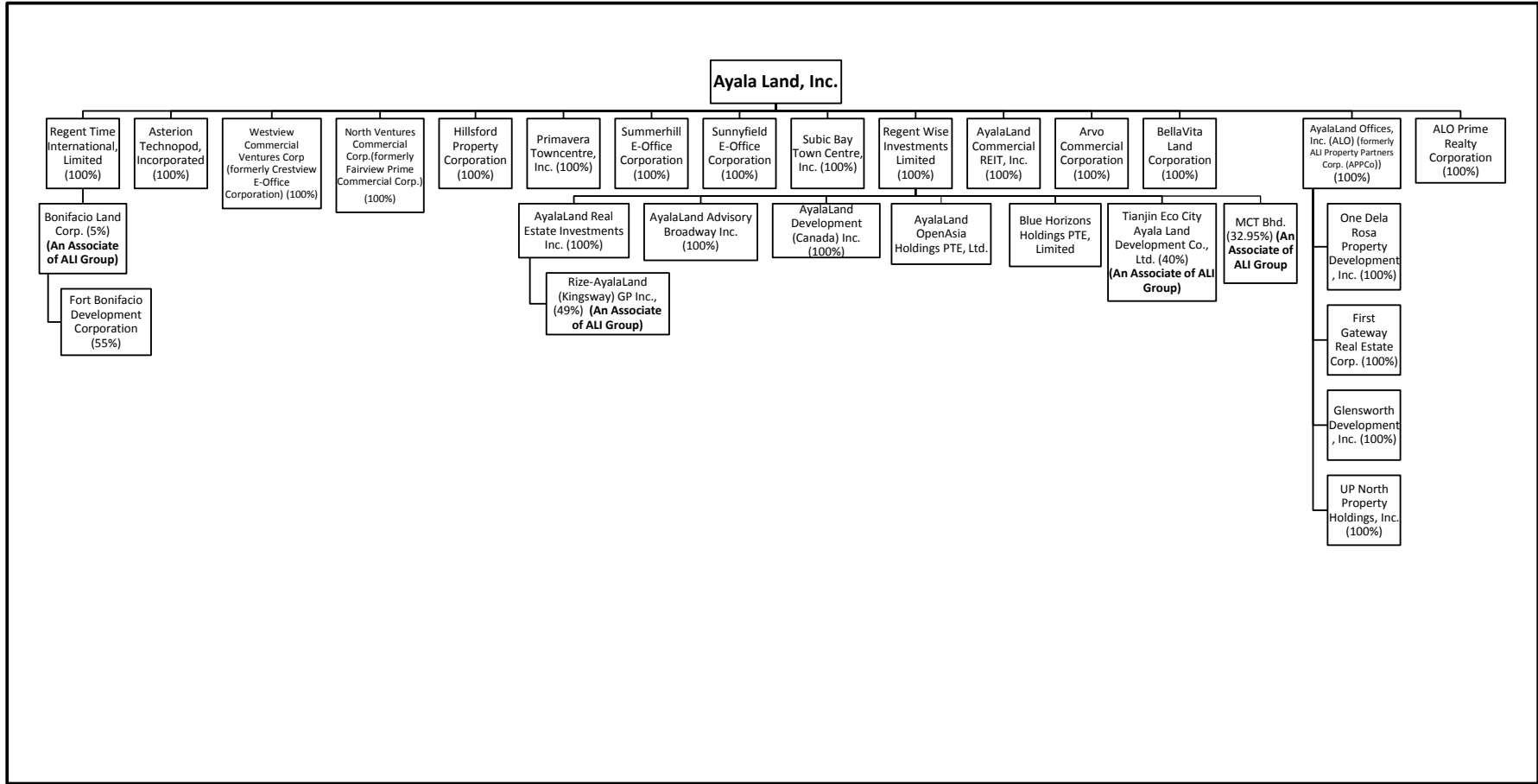
Legend:

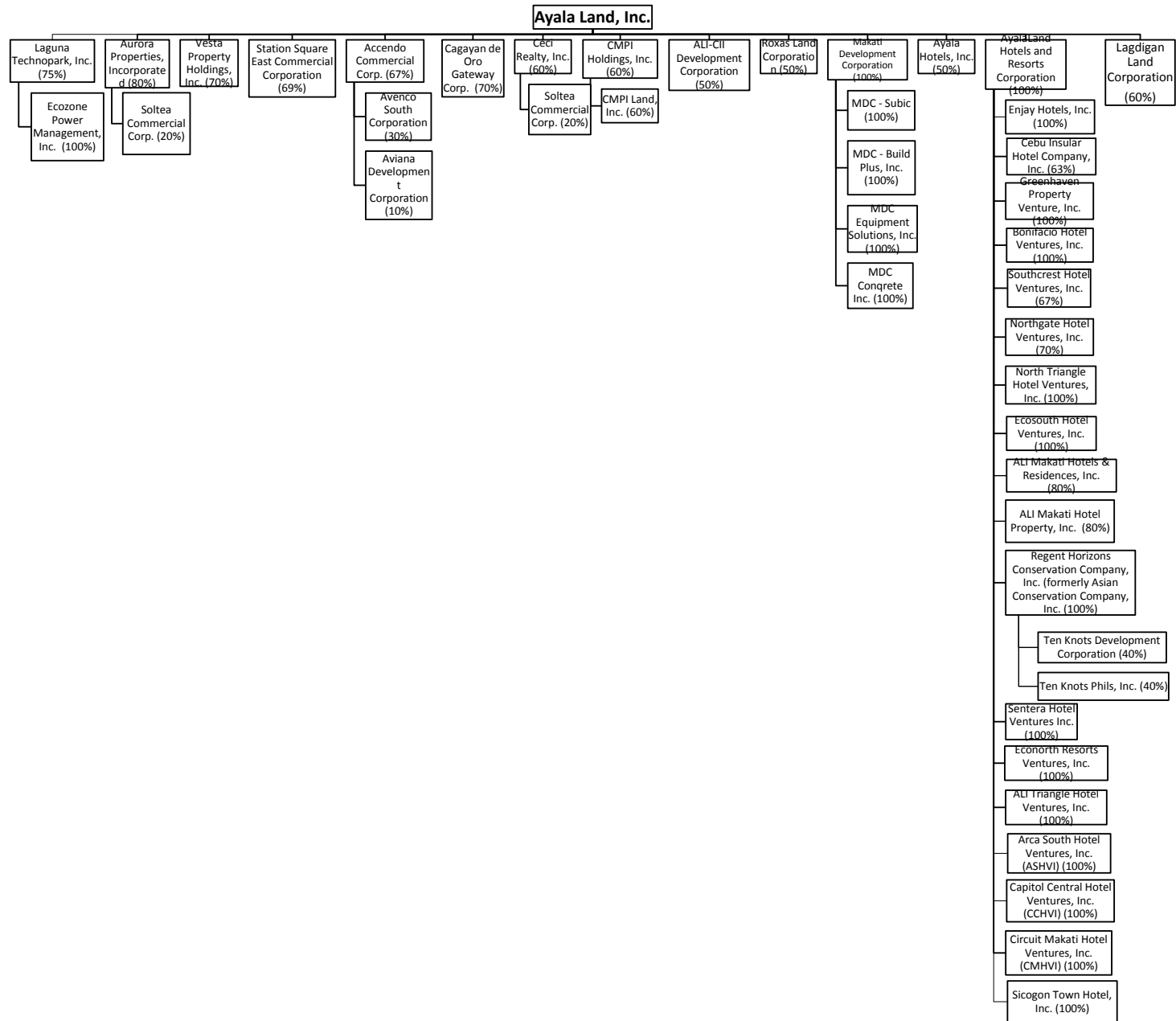
% of ownership appearing on top of the box - direct economic % of ownership

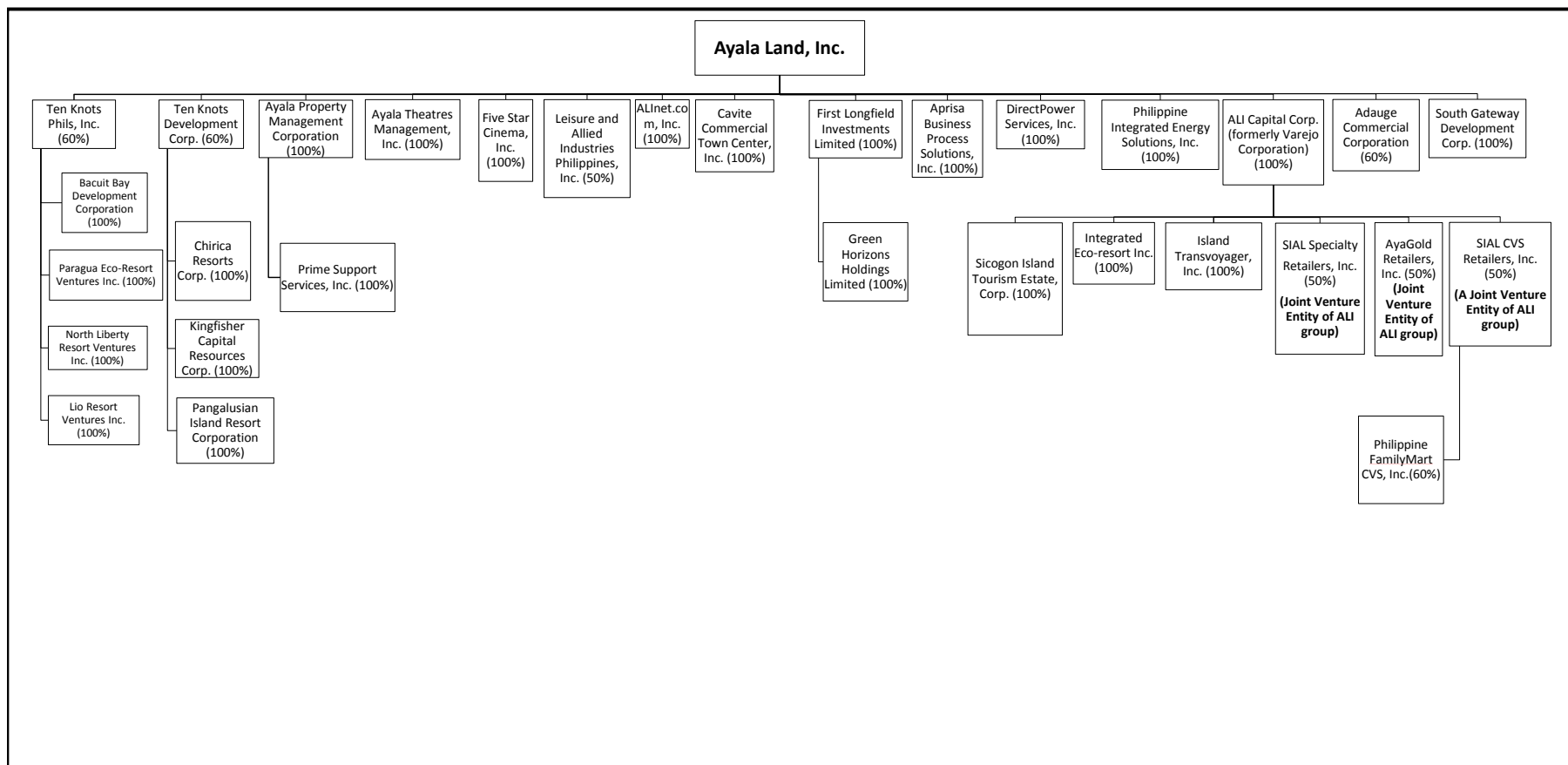
% of ownership appearing inside the box - effective % of economic ownership

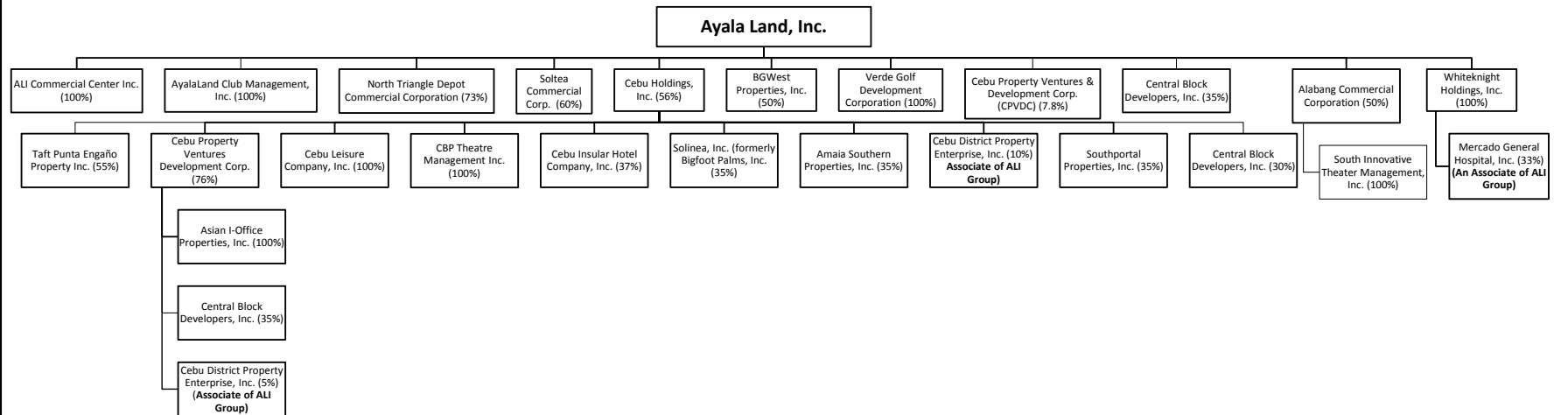
Subsidiaries

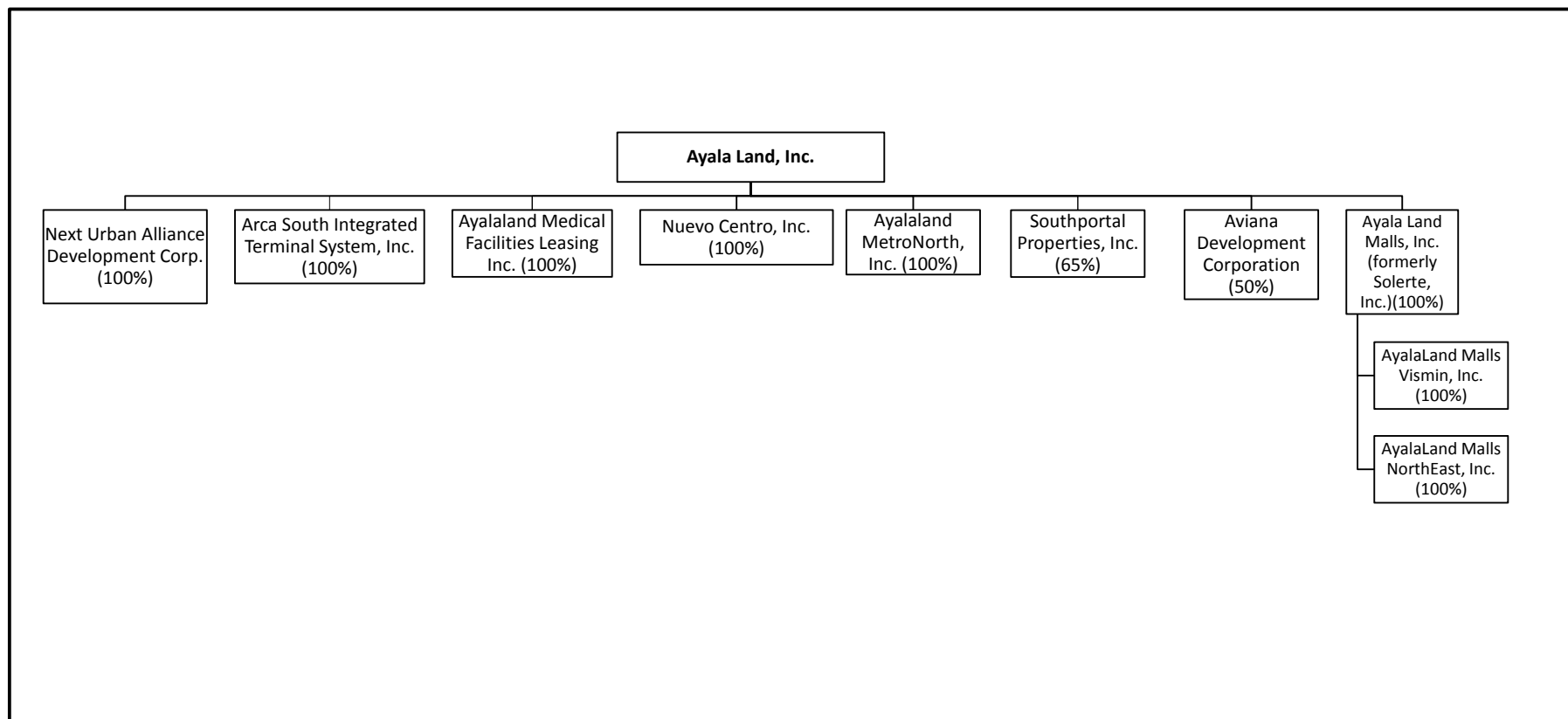




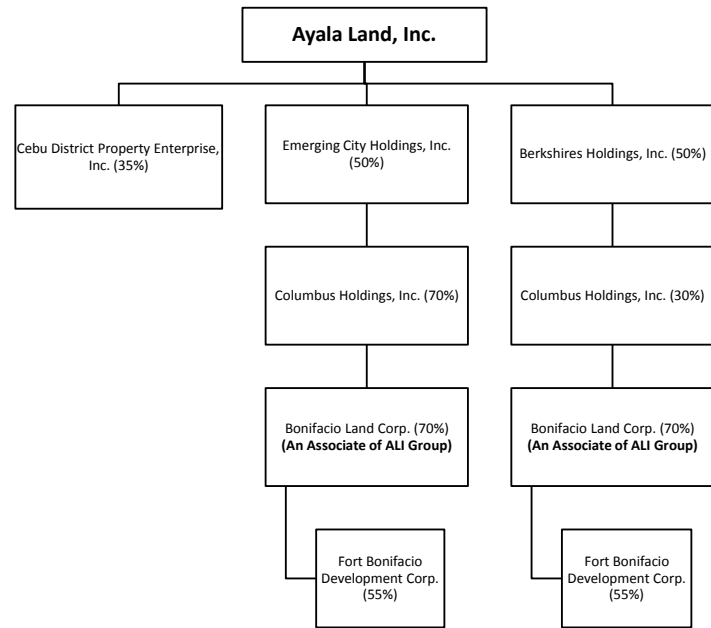




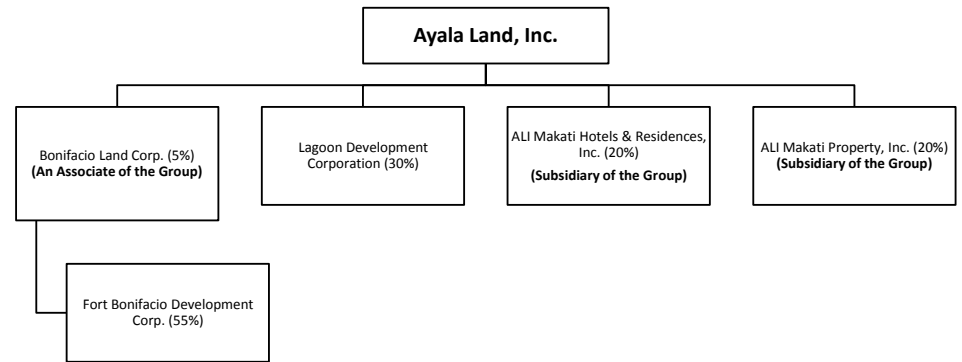




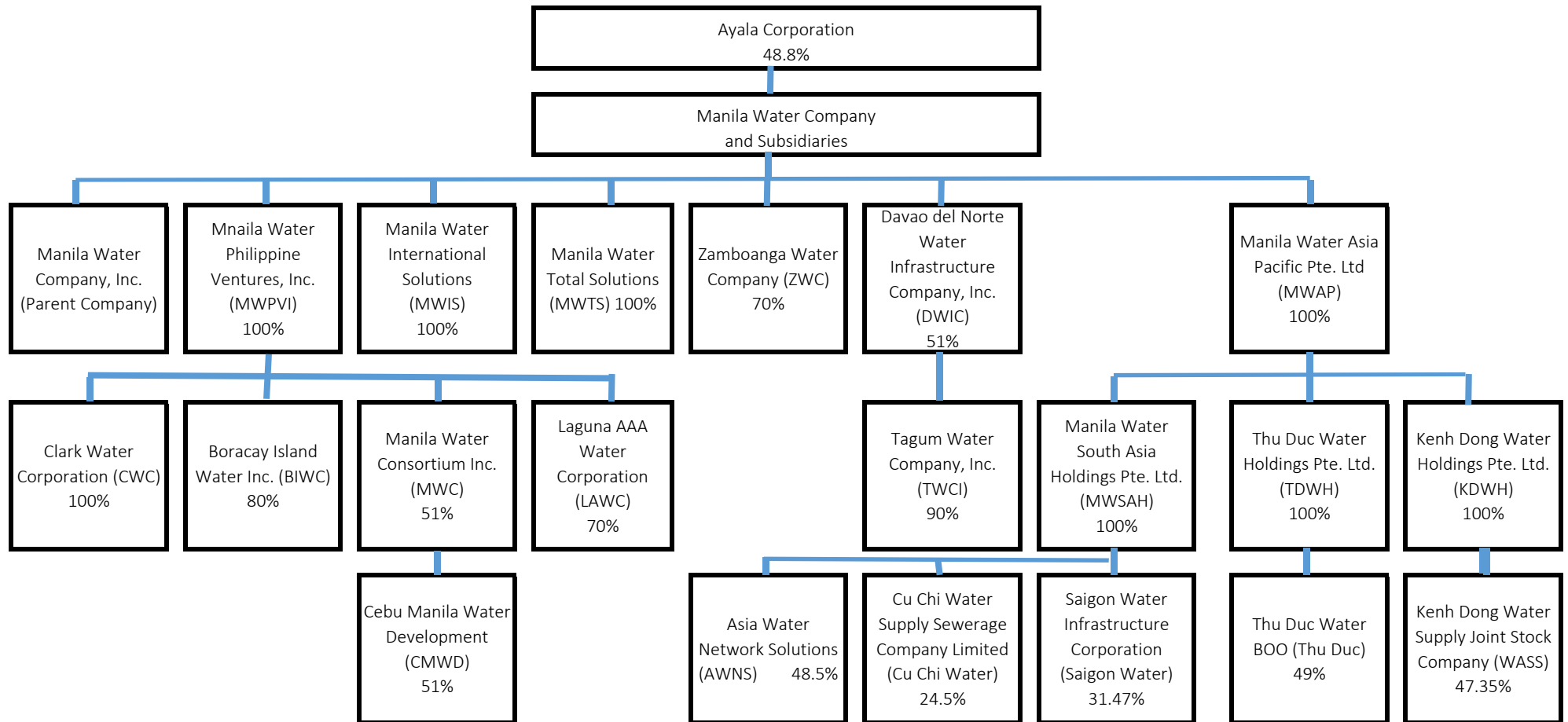
Direct Investments in Joint Ventures



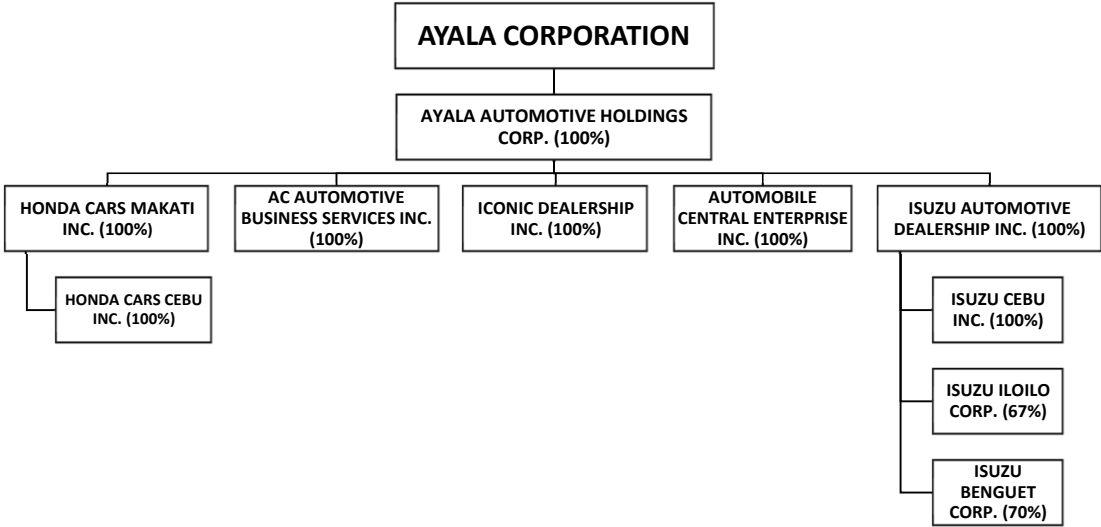
Direct Investments in Associates

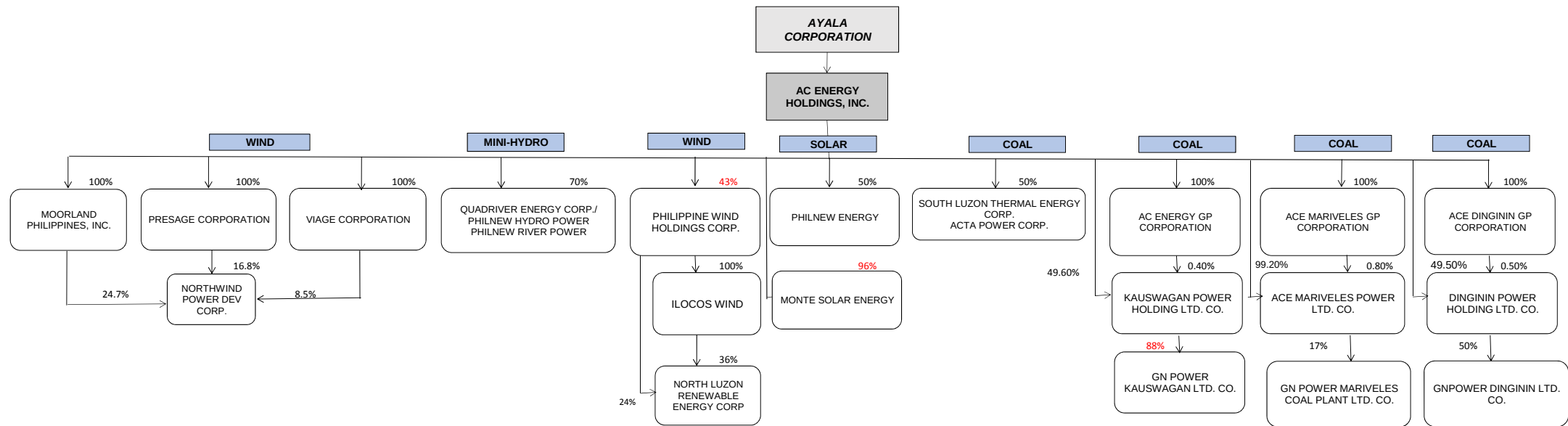


AYALA CORPORATION AND SUBSIDIARIES
CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015

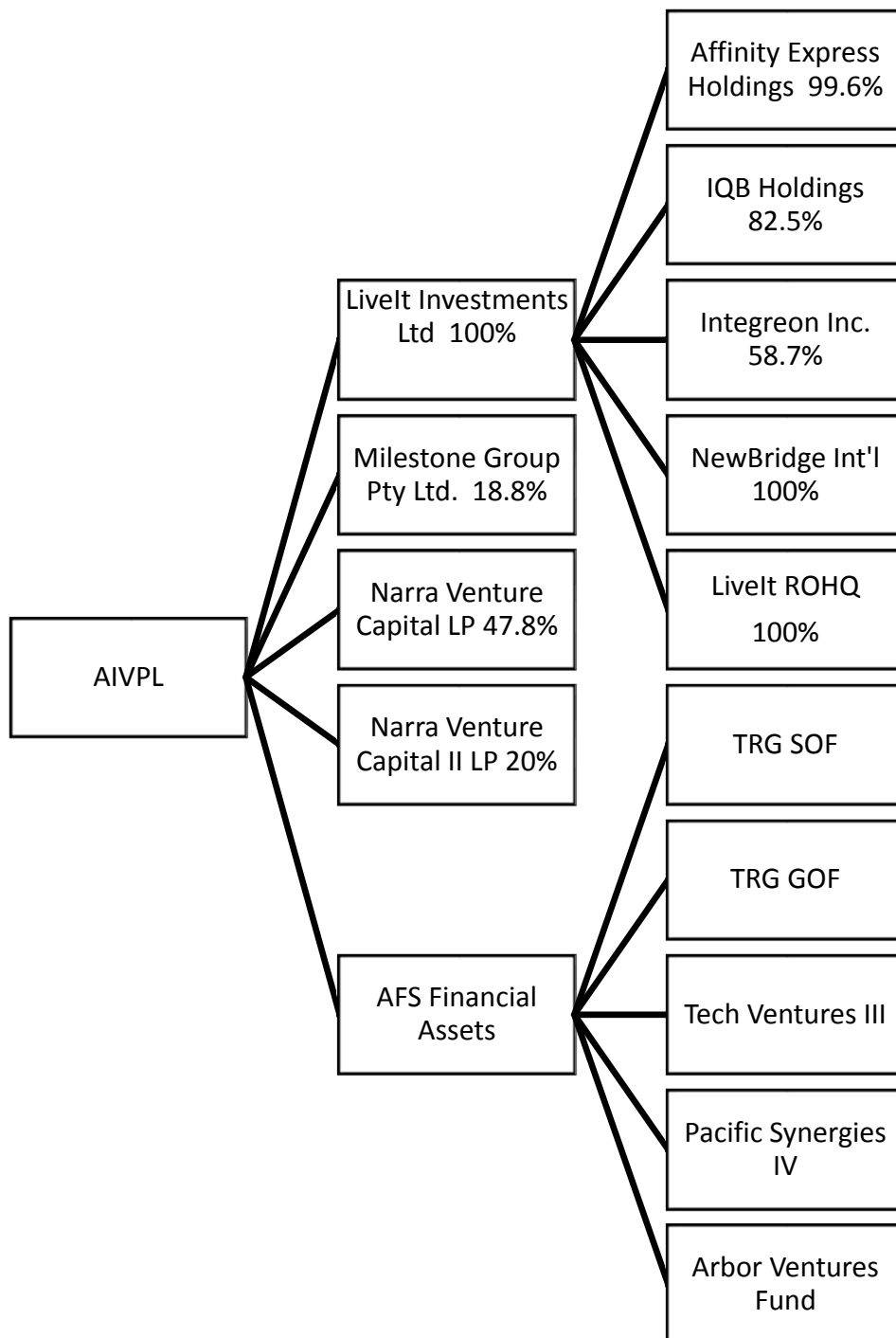


AYALA CORPORATION AND SUBSIDIARIES
CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015

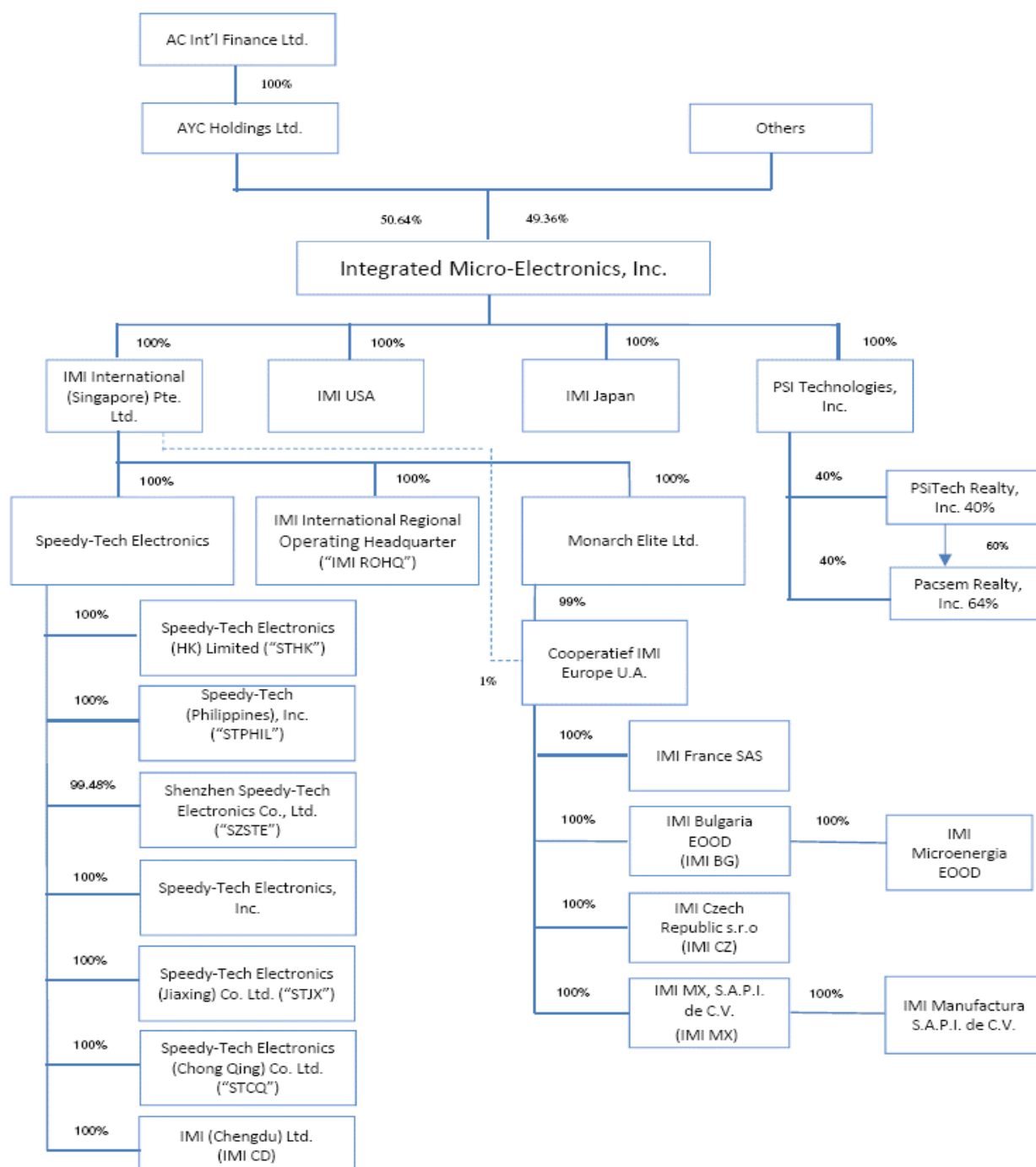




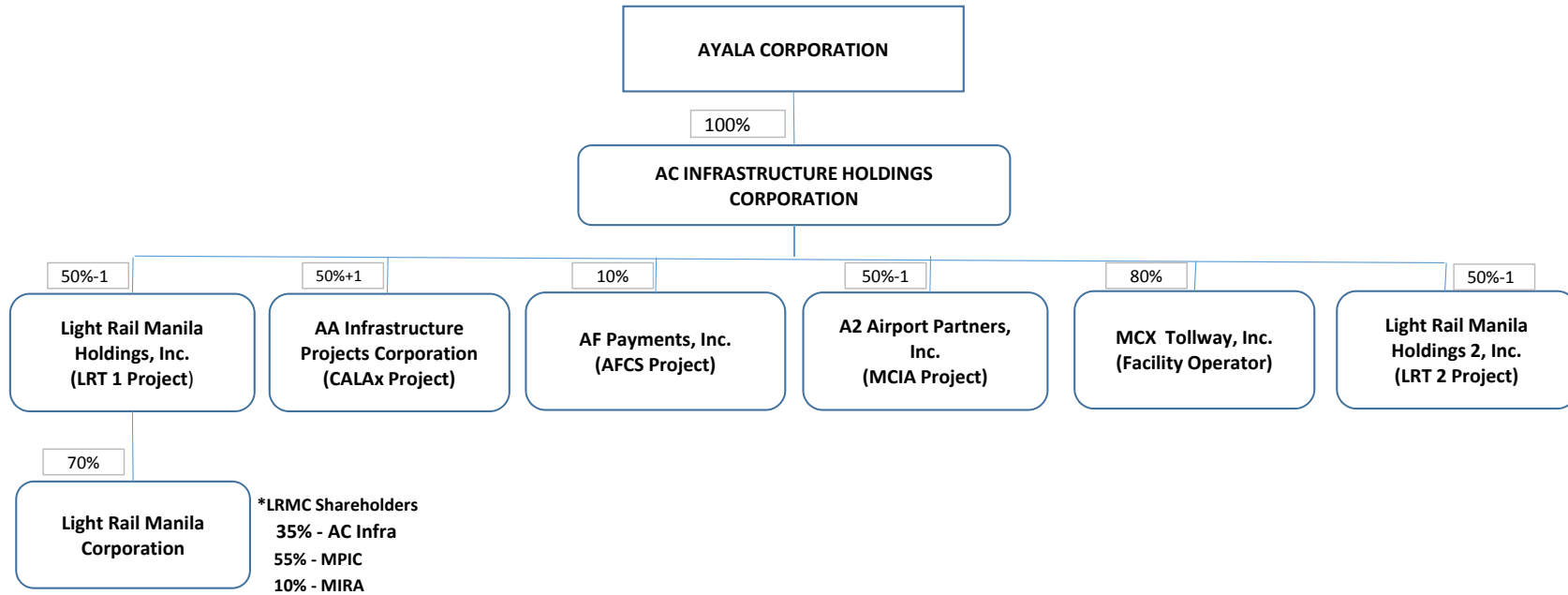
AYALA CORPORATION AND SUBSIDIARIES
CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015



AYALA CORPORATION AND SUBSIDIARIES
CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015



AYALA CORPORATION AND SUBSIDIARIES
SCHEDULE J - CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015



Subsidiary:

- MCX Tollway, Inc.

Associates:

- Automated Fare Collection Services, Inc.

- Light Rail Manila Holdings, Inc.

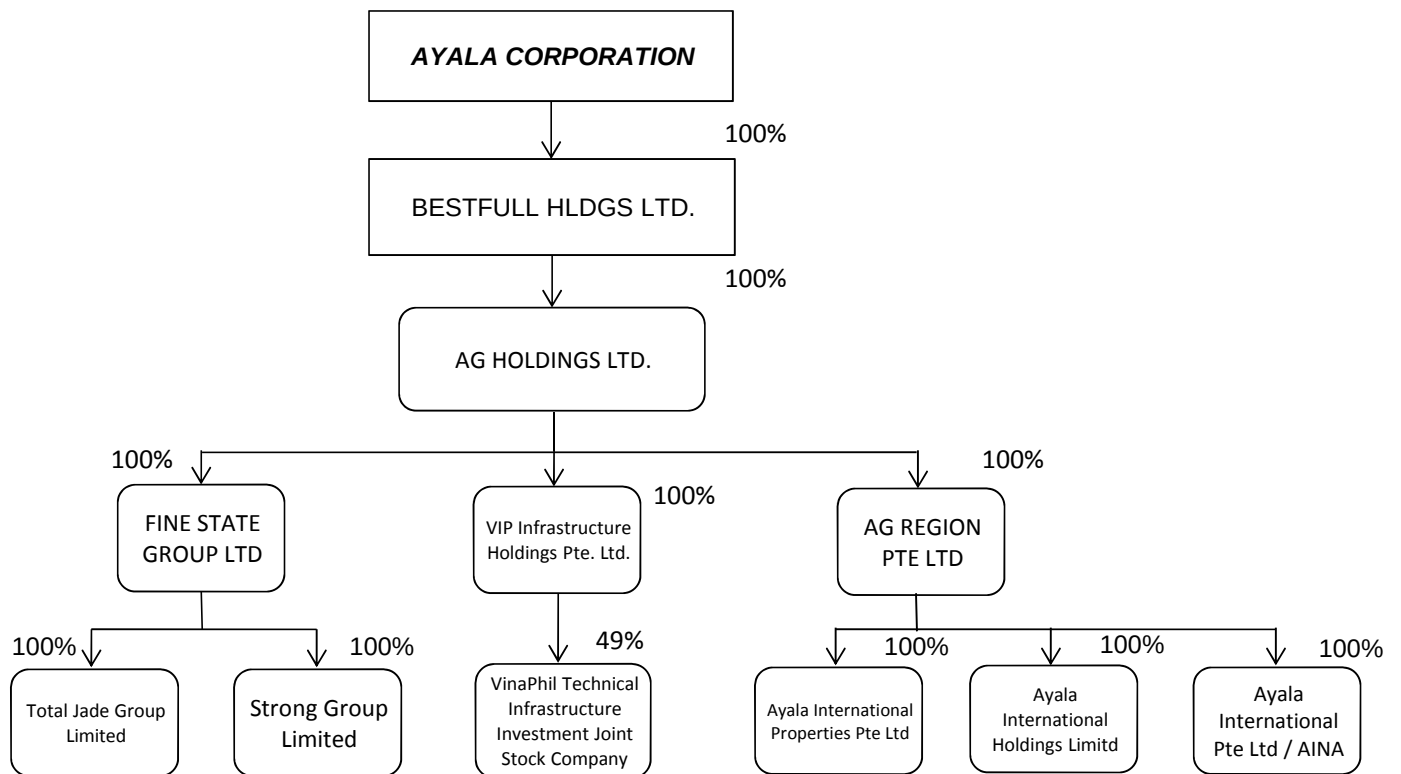
- Light Rail Manila Holdings 2, Inc.

Joint Ventures:

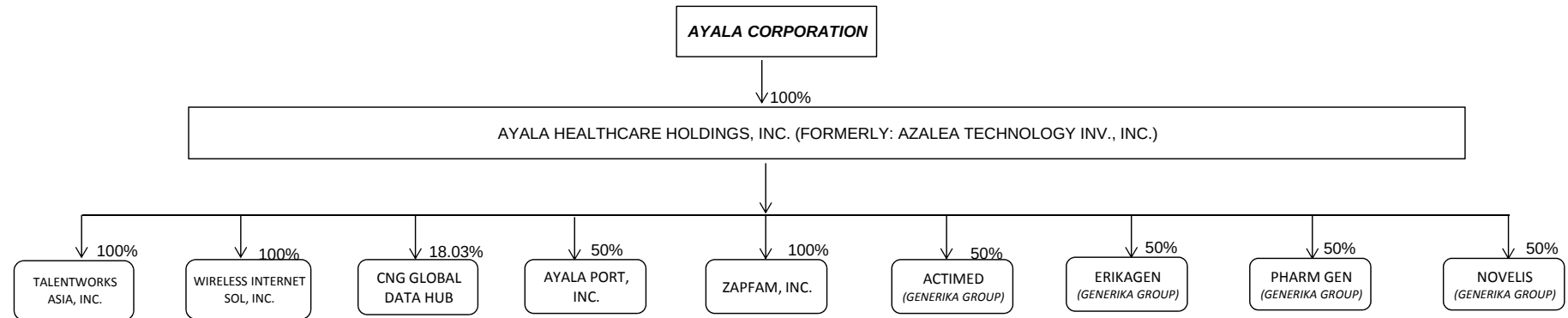
- AA Infrastructure Projects Corporation

- A2 Airport Partners, Inc.

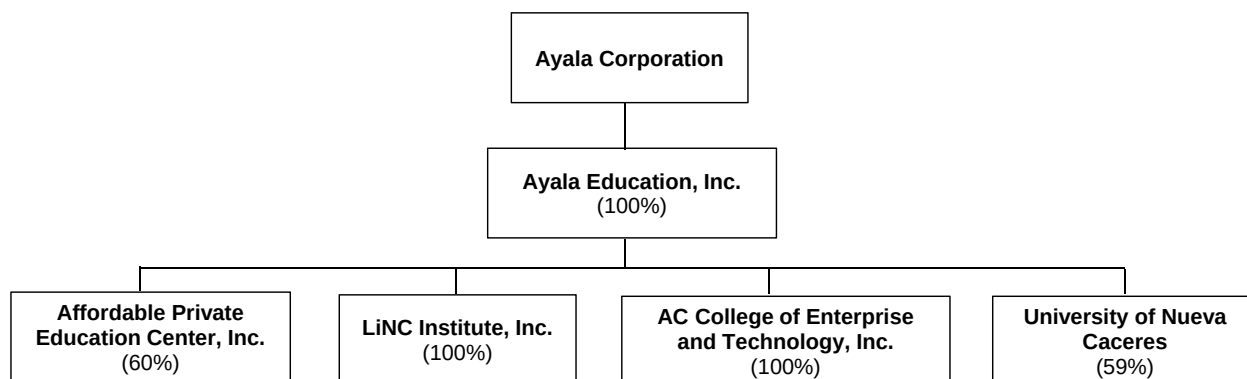
AYALA CORPORATION AND SUBSIDIARIES
CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015



AYALA CORPORATION AND SUBSIDIARIES
CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015



AYALA CORPORATION AND SUBSIDIARIES
CORPORATE ORGANIZATIONAL CHART
As of December 31, 2015



AYALA CORPORATION AND SUBSIDIARIES
**SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS (PFRS)
AS OF DECEMBER 31, 2015**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of 'Effective PFRSs	Not early adopted		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Amendments to PFRS 2: Definition of Vesting Condition	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Guarantee Contracts			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal****	Not early adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
	Amendments to PFRS 7: Disclosures - Servicing Contracts****	Not early adopted		
	Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements****	Not early adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Movement (2010 version)*	Not early adopted		
	Financial Instruments - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*	Not early adopted		
	Financial Instruments (2014 or final version)*	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Investment Entities			✓
	PFRS 10, PFRS 12 and PAS 28, Investment			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Entities: Applying the Consolidation Exception****			
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***	Not early adopted		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations****			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts****			✓
IFRS 15	Revenue from Contracts with Customers**	Not early adopted		
IFRS 16	Leases**	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Presentation of Financial Statements – disclosure initiative****			✓
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization****			✓
	Amendment to PAS 16: Bearer Plants****			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate****	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements****			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	Not early adopted		
	Amendments to PAS 34: – Disclosure of information 'elsewhere in the interim financial report****	Not early adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization	✓		
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization****			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants****			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2	✓		
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14,	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Prepayments of a Minimum Funding Requirement			
IFRIC 15	Agreements for the Construction of Real Estate***			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures	✓		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

* Effective January 1, 2018.

** New standards and amendments issued by the International Accounting Standards Board (IASB) has not yet been adopted by the FRSC.

*** Effectivity has been deferred by the Securities and Exchange Commission (SEC) and FRSC.

**** Effective January 1, 2016.



AYALA CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS
As of December 2015 and December 2014

Ratio	Formula	December 2015 (Unaudited)	December 2014 (Audited)
Liquidity Ratio	$\frac{\text{Cash/ Cash equivalents + Short-term cash investments}}{\text{Current Liabilities}}$	0.41	0.54
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.28	1.50
Solvency Ratio	$\frac{\text{After-Tax Net Profit + (Depreciation + Amortization)+Provision for Bad Debts}}{\text{Total Liabilities}}$	0.07	0.06
Debt-to-Equity Ratio	$\frac{\text{Long-term Loans + Short Term Loans}}{\text{Equity Attributable to Owners of the Parent}}$	1.26	1.39
Assets- to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity Attributable to Owners of the Parent}}$	3.81	3.91
Interest Expense Coverage Ratio	$\frac{\text{EBITDA}}{\text{Interest Expense}}$	5.27	5.15
Return on Equity	$\frac{\text{Net Income to Owners of the Parent}}{\text{Equity Attributable to Owners of the Parent (Average)}}$	11.3%	11.3%
Return on Common Equity	$\frac{\text{Net Income to Owners of the Parent Less Dividends onPreferred Shares}}{\text{Common Equity Attributable to Owners of the Parent(Average)}}$	12.1%	12.2%
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	4.8%	4.4%

AYALA CORPORATION AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS FOR DIVIDEND DISTRIBUTION
As of December 31, 2015 and 2014
(In thousand Pesos)

	December 2015		December 2014	
Unappropriated retained earnings, <i>as adjusted to available for dividend distribution, beginning *</i>		27,037,383		23,332,441
Add: Net income actually earned/realized during the period - Parent co.		7,084,182		5,214,138
Add (Less):				
Dividend declarations during the year		(4,850,306)		(4,209,196)
Reissuance of treasury shares during the year		-		2,700,000
		<u>(4,850,306)</u>		<u>(1,509,196)</u>
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND*		<u>29,271,259</u>		<u>27,037,383</u>
<i>*Reconciliation of consolidated retained earnings to retained earnings available for dividend follows:</i>				
	January 2015	December 2015	January 2014	December 2014
Consolidated retained earnings balance	107,039,814	124,468,463	92,639,781	107,039,814
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	(77,702,431)	(92,897,204)	(64,307,340)	(77,702,431)
Treasury shares balance	(2,300,000)	(2,300,000)	(5,000,000)	(2,300,000)
Retained Earnings available for dividends	<u>27,037,383</u>	<u>29,271,259</u>	<u>23,332,441</u>	<u>27,037,383</u>

X AYALA CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING
CONSOLIDATION OF FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015
(in thousand Pesos)

Creditor	Creditor's Relationship to the Reporting Co.	Account Type	Beginning Balance	Movement	Ending Balance	Nature of Accounts
AC	Parent	Dividends receivable	105,525	85,129	190,655	Dividends from AGCC, IMI, MHI, DADC and PHI
AC	Parent	Other receivable	64,741	6,150	70,890	Rental fees, with interest on overdue accounts
AC	Parent	Other receivable	1,019	7,420	8,439	Advances, non-interest bearing
AC	Parent	Notes receivable	-	67,725	67,725	Notes receivable from ALI
AAC	Subsidiary	Subscription receivable	-	16,660	16,660	Deposits on subscriptions, non-interest bearing
AC Infra	Subsidiary	Subscription receivable	170,000	(170,000)	-	Deposits on subscriptions, non-interest bearing
ACIFL	Subsidiary	Other receivable	566,260	(566,260)	-	Deposits on options to purchase shares
ACIFL	Subsidiary	Other receivable	-	685,900	685,900	Other receivables from BHL
ACIFL	Subsidiary	Other receivable	76,796	52,732	129,528	Advances, non-interest bearing
ACIFL	Subsidiary	Other receivable	1,633,281	(1,625,502)	7,778	Other receivables from PFIL
ALI	Subsidiary	Retention receivable	243,326	(777)	242,549	Retention accounts for construction projects
ALI	Subsidiary	Trade receivable	26,213	129,945	156,157	Advances, non-interest bearing
ALI	Subsidiary	Trade receivable	243,401	(243,401)	-	Advances, non-interest bearing
ALI	Subsidiary	Accounts receivable	20,941	(2,287)	18,654	Rental fees, with interest on overdue accounts
AYC	Subsidiary	Other receivable	12,021,874	629,052	12,650,925	Non-interest bearing receivable from ACIFL
AzTech	Subsidiary	Subscription receivable	48,512	(48,512)	-	Deposits on subscriptions, non-interest bearing
BHL	Subsidiary	Other receivable	821,800	(51,119)	770,681	Other receivables from ACIFL
Others	Subsidiary	Other receivable	80,475	(17,004)	63,471	Reimbursement of expenses, etc.
TOTAL			16,124,164	(1,044,150)	15,080,013	

X AYALA CORPORATION AND SUBSIDIARIES
AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING
CONSOLIDATION OF FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015
(in thousand Pesos)

Debtor	Debtor's Relationship to the Reporting Co.	Account Type	Beginning Balance	Movement	Ending Balance	Nature of Accounts
AC	Parent	Subscription payable	48,512	(48,512)	-	Deposits on subscriptions, non-interest bearing
AC	Parent	Accounts payable	26,213	129,945	156,157	Advances, non-interest bearing
AC	Parent	Subscription payable	170,000	(170,000)	-	Deposits on subscriptions, non-interest bearing
AC	Parent	Subscription payable	-	16,660	16,660	Deposits on subscriptions, non-interest bearing
AC	Parent	Other payables	566,260	(566,260)	-	Deposits on options to purchase shares
AC	Parent	Accounts payable	243,401	(243,401)	-	Advances, non-interest bearing
AAHC	Subsidiary	Accounts payable	64,741	6,150	70,890	Rental fees, with interest on overdue accounts
ACIFL	Subsidiary	Accounts payable	12,021,874	629,052	12,650,925	Non-interest bearing payable to AYC
ACIFL	Subsidiary	Accounts payable	821,800	(51,119)	770,681	Other payables to BHL
AGCC	Subsidiary	Customers' and tenants deposits	20,941	(2,287)	18,654	Rental fees, with interest on overdue accounts
AGCC	Subsidiary	Dividends payable	50,000	(30,000)	20,000	Dividends
AIVPL	Subsidiary	Other payables	76,796	52,732	129,528	Advances, non-interest bearing
ALI	Subsidiary	Other payables	1,019	7,420	8,439	Advances, non-interest bearing
ALI	Subsidiary	Notes payable	-	67,725	67,725	Notes payable to AC
Bestfull	Subsidiary	Accounts payable	-	685,900	685,900	Other payables to ACIFL
DADC	Subsidiary	Dividends payable	-	10,605	10,605	Dividends
IMI	Subsidiary	Dividends payable	17,525	(17,475)	50	Dividends
MHI	Subsidiary	Dividends payable	-	120,000	120,000	Dividends
MWCI	Subsidiary	Retention payable	243,326	(777)	242,549	Retention accounts for construction projects
PFIL	Subsidiary	Accounts payable	1,633,281	(1,625,502)	7,778	Other payables to ACIFL
PHI	Subsidiary	Dividends payable	38,000	2,000	40,000	Dividends
Others	Subsidiary	Other payables	80,475	(17,004)	63,471	Reimbursement of expenses, etc.
TOTAL			16,124,164	(1,044,150)	15,080,013	