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(Company's Full Name)

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(Business Address: No. Street City / Town / Province)

Josephine G. De Asis

Contact Person

908-3000

Company Telephone Number

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Month Day
Fiscal Year

1	7	-	Q	
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Month Day
Annual Meeting

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Secondary License Type, if Applicable

C	F	D
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Amended Articles Number/Section

6	7	9	1
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Total No. Of Stockholders

P	4	0	B.	bonds	
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Domestic

Total Amount of Borrowings

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Foreign

To be accomplished by SEC Personnel concerned

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SEC No. 34218

File No. _____

AYALA CORPORATION

(Company's Full Name)

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

(Company's Address)

908-3000

(Telephone Number)

March 31, 2016

(Quarter Ending)
(Month & Day)

SEC Form 17- Q Quarterly Report

(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2016**
2. SEC Identification No.: **34218**
3. BIR Tax Identification No. **000-153-610-000**
4. Exact name of the registrant as specified in its charter: **AYALA CORPORATION**
5. Province, country or other jurisdiction of incorporation or organization: **Makati City, Philippines**
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: **32F to 35F, Tower One and Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City** Postal Code: **1226**
8. Registrant's telephone number: **(632) 908-3000 / 908-3357**
9. Former name, former address, former fiscal year: **Not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA:

Title of each class	Number of shares issued & outstanding As of March 31, 2016
Preferred B Series 1	20,000,000*
Preferred B Series 2	27,000,000**
Voting Preferred	200,000,000
Common	620,148,280

* Net of 8,000,000 treasury shares

** Net of 3,000,000 treasury shares

Amount of debt outstanding as of March 31, 2016: **P40 billion in bonds*****

***amount represents only debt of Ayala Corporation registered with Philippine SEC. The debt of subsidiaries registered with SEC are reported in their respective SEC17Q report.

11. Are any or all of these securities listed in the Philippine Stock Exchange? Yes ☒ No ☐

A total of 616,233,350 Common shares, 20,000,000* Preferred B Series 1 shares and 27,000,000* Preferred B Series 2 shares are listed with the Philippine Stock Exchange as of March 31, 2016.

*Net of treasury shares as stated in Item 10 above.

12. Check whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
Yes ☒ No ☐
 - (b) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐

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PART I FINANCIAL INFORMATION

Item 1 Financial Statements

XX AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousand Pesos)

	March 2016 (Unaudited)	December 2015 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	78,437,829	82,154,542
Short-term investments (Note 5)	1,118,104	2,052,288
Accounts and notes receivable (Note 6)	102,289,990	82,595,788
Inventories (Note 7)	82,080,107	68,430,908
Other current assets (Note 8)	26,757,477	27,617,032
Total Current Assets	290,683,507	262,850,558
Noncurrent Assets		
Noncurrent accounts and notes receivable (Note 6)	39,575,867	41,793,499
Investment in bonds and other securities (Note 11)	3,323,387	3,737,816
Land and improvements (Note 9)	91,580,077	92,894,879
Investments in associates and joint ventures (Note 10)	172,995,191	162,711,420
Investment properties (Note 12)	89,780,612	83,669,492
Property, plant and equipment	42,118,756	39,644,489
Service concession assets (Note 13)	79,335,373	78,828,840
Intangible assets (Note 11)	3,494,014	3,909,603
Deferred tax assets - net (Note 11)	9,462,320	9,742,797
Pension and other noncurrent assets (Note 8)	15,941,949	14,291,330
Total Noncurrent Assets	547,607,546	531,224,165
Total Assets	838,291,053	794,074,723
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 14)	163,132,591	145,597,876
Short-term debt (Note 16)	31,206,523	24,387,515
Income tax payable	2,971,710	1,943,217
Current portion of:		
Long-term debt (Note 16)	25,332,759	28,153,532
Service concession obligation	1,154,962	1,255,644
Other current liabilities (Note 15)	11,169,851	4,629,680
Total Current Liabilities	234,968,396	205,967,464
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 16)	224,822,167	210,799,647
Service concession obligation - net of current portion	7,436,014	7,538,374
Deferred tax liabilities - net	7,479,772	6,440,505
Pension liabilities - net	2,460,056	2,545,978
Other noncurrent liabilities (Note 15)	25,948,013	32,238,772
Total Noncurrent Liabilities	268,146,022	259,563,276
Total Liabilities	503,114,418	465,530,740
Equity		
Equity attributable to owners of the parent		
Paid-in capital (Note 17)	74,179,624	73,919,322
Share-based payments	333,244	568,847
Remeasurement gains/(losses) on defined benefit plans	(1,267,395)	(1,249,716)
Net unrealized gain (loss) on available-for-sale financial assets	(402,582)	(554,297)
Cumulative translation adjustments	(153,415)	288,683
Equity reserve	12,217,580	12,402,311
Equity - conversion option (Note 16)	1,113,745	1,113,745
Retained earnings (Note 17)	130,248,511	124,468,464
Treasury stock	(2,300,000)	(2,300,000)
	213,969,312	208,657,359
Non-controlling interests	121,207,323	119,886,624
Total Equity	335,176,635	328,543,983
Total Liabilities and Equity	838,291,053	794,074,723

See accompanying Notes to Unaudited Consolidated Financial Statements.

XX AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousand Pesos, except earnings per share)

	March 2016 (Unaudited)	March 2015 (Unaudited)
INCOME		
Sale of goods	30,461,801	28,013,583
Rendering of services	14,816,764	13,037,777
Share of profit of associates and joint ventures	4,153,597	3,713,895
Interest income	1,595,408	1,648,687
Other income	1,770,945	1,423,941
	52,798,515	47,837,883
COSTS AND EXPENSES		
Costs of sales	24,681,579	21,769,927
Costs of rendering services	7,778,955	7,432,814
General and administrative	4,078,135	3,941,670
Interest and other financing charges	3,236,243	3,101,019
Other charges	1,110,634	669,593
	40,885,546	36,915,023
INCOME BEFORE INCOME TAX	11,912,969	10,922,860
PROVISION FOR INCOME TAX		
Current	2,054,263	1,976,223
Deferred	103,934	142,851
	2,158,197	2,119,074
NET INCOME	9,754,772	8,803,786
Net Income Attributable to:		
Owners of the parent	5,780,048	5,043,726
Non-controlling interests	3,974,724	3,760,060
	9,754,772	8,803,786
EARNINGS PER SHARE (Note 18)		
Basic	8.81	7.63
Diluted	8.68	7.51

See accompanying Notes to Unaudited Consolidated Financial Statements.

XX AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousand Pesos)

	March 2016 (Unaudited)	March 2015 (Unaudited)
NET INCOME	9,754,772	8,803,786
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	(437,568)	(619,162)
Changes in fair values of available-for-sale financial assets	(242,900)	165,816
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gains/(losses) on defined benefit plans	(29,093)	-
	(709,561)	(453,346)
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	(50,918)	(37,470)
Changes in fair values of available-for-sale financial assets	394,460	87,634
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gains/(losses) on defined benefit plans	(2,971)	-
	340,571	50,164
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	(368,990)	(403,182)
TOTAL COMPREHENSIVE INCOME	9,385,782	8,400,604
Total Comprehensive Income Attributable to:		
Owners of the parent	5,471,986	4,876,210
Non-controlling interests	3,913,796	3,524,394
	9,385,782	8,400,604

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT												
	Other Comprehensive Income											Non-controlling Interests	Total Equity
	Paid-in Capital	Share-based Payments	Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity - Conversion Option	Retained Earnings	Treasury Stock (Preferred Stock - B)	Total			
At January 1, 2016	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	
Net Income	-	-	-	-	-	-	-	5,780,047	-	5,780,047	3,974,724	9,754,771	
Other comprehensive income (loss)	-	-	(17,679)	151,715	(442,098)	-	-	-	-	(308,062)	(60,928)	(368,990)	
Total comprehensive income (loss)	-	-	(17,679)	151,715	(442,098)	-	-	5,780,047	-	5,471,985	3,913,796	9,385,781	
Exercise of ESOP/ESOWN	260,302	-	-	-	-	-	-	-	-	260,302	-	260,302	
Cost of share-based payments	-	(235,603)	-	-	-	-	-	-	-	(235,603)	-	(235,603)	
Cash Dividends	-	-	-	-	-	-	-	-	-	-	(2,711,476)	(2,711,476)	
Change in non-controlling interests / Others	-	-	-	-	-	(184,731)	-	-	-	(184,731)	118,379	(66,352)	
At March 31, 2016 (Unaudited)	74,179,624	333,244	(1,267,395)	(402,582)	(153,415)	12,217,580	1,113,745	130,248,511	(2,300,000)	213,969,312	121,207,323	335,176,635	

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT											
	Other Comprehensive Income											Non-controlling Interests
	Paid-in Capital	Share- based Payments	Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity - Conversion Option	Retained Earnings	Treasury Stock (Preferred Stock - B)	Total		
											Total Equity	
At 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	-	-	-	-	-	-	-	5,043,726	-	5,043,726	3,760,060	8,803,786
Other comprehensive income (loss)	-	-	-	231,122	(398,638)	-	-	-	-	(167,516)	(235,666)	(403,182)
Total comprehensive income (loss)	-	-	-	231,122	(398,638)	-	-	5,043,726	-	4,876,210	3,524,394	8,400,604
Exercise of ESOP/ESOWN	85,887	-	-	-	-	-	-	-	-	85,887	-	85,887
Cost of share-based payments	-	6,933	-	-	-	-	-	-	-	6,933	-	6,933
Cash Dividends	-	-	-	-	-	-	-	-	-	-	(2,287,379)	(2,287,379)
Change in non-controlling interests	-	-	-	-	-	5,681,143	-	-	-	5,681,143	10,398,886	16,080,029
At March 31, 2015 (Unaudited)	73,657,392	384,309	(1,005,572)	223,911	(1,002,403)	13,159,402	1,113,745	112,083,540	(2,300,000)	196,314,324	112,838,235	309,152,559

EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

	Paid-in Capital	Share- based Payments	Other Comprehensive Income					Retained Earnings	Treasury Stock (Preferred Stock - B)	Total	Non-controlling Interests	Total Equity
			Remeasurement Gains/(Losses) on Defined Benefit Plans	Net Unrealized Gain (Loss) on Available-for-Sale Financial Assets	Cumulative Translation Adjustments	Equity Reserve	Equity - Conversion Option					
At 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 (Audited)	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

See accompanying Notes to Unaudited Consolidated Financial Statements.

X AYALA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousand Pesos)

	March 2016 Unaudited	March 2015 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	11,912,969	10,922,860
Adjustments for:		
Interest and other financing charges - net of amount capitalized	3,236,243	3,101,019
Depreciation and amortization	2,869,251	2,036,152
Cost of share-based payments	11,478	92,820
Provision for impairment losses	60,810	28,753
Loss (gain) on sale of:		
Investments	(26,776)	(1,135)
Other assets	(3,251)	(5,513)
Other investment income	87,865	(49,485)
Interest income	(1,595,408)	(1,648,687)
Share of profit of associates and joint ventures	(4,153,597)	(3,713,895)
Operating income before changes in working capital	12,399,584	10,762,889
Decrease (increase) in:		
Accounts and notes receivable - trade	146,826	(19,126,840)
Inventories	(13,568,112)	(200,903)
Service concession asset	(908,689)	(152,091)
Other current assets	2,429,005	(2,954,901)
Increase (decrease) in:		
Accounts payable and accrued expenses	22,616,658	21,205,985
Net pension liabilities	(246,264)	(211,631)
Other current liabilities	6,540,171	(481,391)
Net cash generated from operations	29,409,179	8,841,117
Interest received	1,569,532	1,654,682
Interest paid	(3,333,128)	(3,146,309)
Income tax paid	(1,129,703)	(750,765)
Net cash provided by operating activities	26,515,880	6,598,725
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Sale/maturities of available-for-sale financial assets	23,453	132,935
Sale/redemptions of investments in associates and joint ventures	-	177,619
Disposals of:		
Property, plant and equipment	141,914	57,724
Investment properties	234,213	-
Maturities (placement) of short-term investments	934,184	(1,739,458)
Deductions/transfers (additions) to:		
Service concession asset	24,272	83,888
Investments in associates and joint ventures	(6,919,910)	(368,227)
Property, plant and equipment	(5,289,877)	(1,978,899)
Investment properties	(6,403,121)	(3,833,577)
Land and improvements	-	(1,587,453)
Accounts and notes receivable - non-trade	(18,746,683)	(9,790,643)
Investment in bonds, securities and other noncurrent assets	714,415	(279,502)
Dividends received from associates and joint ventures and available-for-sale financial assets	2,610,343	2,006,435
Increase in other noncurrent assets	(2,215,938)	(3,953,402)
Net cash used in investing activities	(33,577,933)	(21,072,560)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term and long-term debt	30,274,494	6,735,239
Payment of short-term and long-term debt	(16,217,413)	(14,341,284)
Dividends paid	(4,528,705)	(4,188,307)
Service concession obligation paid	(653,105)	(654,558)
Collections of subscription receivable	13,221	-
Increase (decrease) in:		
Other noncurrent liabilities	(5,205,166)	12,789,156
Non-controlling interest in consolidated subsidiaries	(337,986)	13,656,128
Net cash provided by financing activities	3,345,340	13,996,374
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,716,713)	(477,461)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	82,154,542	90,769,525
CASH AND CASH EQUIVALENTS AT END OF PERIOD	78,437,829	90,292,064

See accompanying Notes to Unaudited Consolidated Financial Statements.

AYALA CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the December 31, 2015 annual audited consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of and for the year ended December 31, 2015.

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

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

The unaudited condensed consolidated financial statements are presented in Philippine Peso (₱), and all values are rounded to the nearest thousand pesos (₱000) except when otherwise indicated.

The unaudited financial statements and other parts of this entire SEC 17Q as of March 31, 2016 include other financial and operating data with respect to Ayala's material subsidiaries (Ayala Land, Inc., Integrated Micro-Electronics, Inc., and Manila Water Company, Inc.), associate (Bank of the Philippine Islands) and joint venture (Globe Telecom, Inc.). This SEC 17Q should be read in conjunction with the financial and operating highlights of these subsidiaries, associate and joint venture as contained in their respective SEC17Q as of March 31, 2016.

Additional information about the Company, including annual and quarterly reports, can be found on the corporate website www.ayala.com.ph.

On May 11, 2016, the Company's Audit Committee approved and authorized the release of the accompanying unaudited condensed financial statements of Ayala Corporation and Subsidiaries.

2. Significant Accounting Policies

Changes in Accounting Policies

The accounting policies and methods of computations adopted in the preparation of the unaudited condensed financial statements are consistent with those of the previous financial year, except for the new PFRS, amended PFRS and improvements to PFRS which were adopted beginning January 1, 2016. The nature and the impact of each new standards and amendments is described below:

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. As in previous year, 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.

3. Principles of Consolidation

The unaudited condensed consolidated financial statements included the financial statements of the Company and the following wholly and majority owned domestic and foreign subsidiaries:

Subsidiaries	Nature of Business	Effective Percentages of Economic Ownership	
		March 2016 (Unaudited)	December 2015 (Audited)
AC Energy Holdings, Inc. (ACEHI)	Power	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)	Consultancy 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	47.2
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. (AHHI) (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	50.7
Ayala Education, Inc. (AEI) (formerly Livelt Global Services Management Institute, Inc.)	Education	100.0	100.0
Manila Water Company, Inc. (MWCI)	Water Distribution and Wastewater Services	51.7	51.6
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 Group's investments in subsidiaries is the Philippines.

Except as discussed in subsequent notes, the voting rights held by the Group in its investments in subsidiaries are in proportion to its ownership interest.

The following are highlights of significant transactions of the subsidiaries, part of which affected the Company's investments in its subsidiaries:

ACEHI Group

- On February 26, 2016, Unit 2 of the 135 MW power plant of SLTEC in Calaca, Batangas started its commercial operations.
- 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.
- On various dates between January to March 2016, the Company infused ₱37.7 million to ACEHI to fund its various investments

AC Infra Group

- On January 18, 2016, the Company confirmed the news article titled, "LRMC commits over P40B for LRT1 upgrade and dev't", posted in Manila Bulletin (Internet Edition) on January 16, 2016, that the total project cost for LRT 1 is estimated to be over P40 billion. However, the Company clarified that the estimated capital expenditures for the project in the form of rehabilitation costs over the next two years is up to P10 billion only.
- On February 12, 2016, LRMC signed the following:
 - 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.
- c) On various dates between January to March 2016, the Company infused ₱205.3 million to AC Infra to fund its various investments.

AHHI Group

- a) On January 27, 2016, the Company confirmed the news article titled, “Ayala to establish 100 clinics”, posted on The Standard (Internet Edition) on January 26, 2016. The Company confirmed that it’s expanding its investments in the healthcare sector, as it plans to roll out 100 retail clinics under the brandname FamilyDoc over the next three years.

ALI Group

- a) 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.

In March 2016, ALI purchased 29,807,059 common shares or 17.9% ownership of OHI which owns 99.5% of OCLP.

- b) 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.
- c) On January 21, 2016, ALI and LT Group, Inc. entered into an agreement to jointly develop a 35-hectare township project along the C5 corridor. The project is envisioned to be a township development that spans portions of Pasig City and Quezon City.
- 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 Prime Orion Philippines, Inc. (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.
- i) 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 was issued on March 23, 2016 upon receipt of the Permit to Sell Securities to the Public from the SEC.

- j) The voting rights held by the Group in ALI as of March 31, 2016 and December 31, 2015 is equal to 68.8%.

AYCFL

- a) In March 2016, AYCFL 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.

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.
- c) As of March 31, 2016 and December 31, 2015, the Company and ACIFL, through its wholly-owned subsidiary, AYC Holdings, Ltd., effectively owns 50.7% of IMI. The voting rights held by the Group in IMI as of March 31, 2016 and December 31, 2015 is equal to 50.7%.

MWCI Group

- a) In March 2012, MWCI submitted to MWSS a business plan embodying its rate rebasing proposals for charging year 2013. The MWSS conducted a review of the proposal including the Parent Company's last five (5) years financial performance. The financial review process extended up to the third quarter of 2013. On September 10, 2013, MWSS-RO issued Resolution No. 13-09-CA providing for a negative rate rebasing adjustment of 29.47% to MWCI's 2012 average basic water rate of ¥24.57 per cubic meter. The adjustment shall be implemented in 5 equal tranches of negative 5.894% per charging year. MWCI objected to 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 R.O. Resolution No. 13-012 CA, approved the implementation of a status quo for MWCI's Standard Rates including FCDA, until such time that the Appeals Panel has rendered a final award on the 2013 Rate Rebasing determination.

On December 17, 2014, the MWSS Board of Trustees approved the implementation of an FCDA adjustment of ¥0.36 per cubic meter based on the exchange rates of USD1: ¥44.80 and JPY1:¥0.42, which was published on December 31, 2014 and took effect 15 days after its publication. The FCDA component of the water bill was adjusted to 1.32% of the basic charge in the first quarter of 2015. The FCDA has no impact on the net income of the Parent Company, as it is just a recovery or refund mechanism of foreign exchange loss or gain.

On April 21, 2015, MWCI received the final award of the Appeals Panel in the arbitration which final award included the following tariff component determination:

- 1) ¥28.1 billion Opening Cash Position (OCP) which restores ¥11.0 billion from the September 2013 OCP determination of MWSS of ¥17.1 billion;
- 2) ¥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;
- 3) 7.61% Appropriate Discount Rate (ADR) which is an improvement of 79 bps from the post tax ADR of 6.82% in September 2013;
- 4) 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% from 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 will continue to be made consistent with the MWCI's Concession Agreement with MWSS.

On December 10, 2015, MWCI 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 MWCI executed on February 21, 1997.

In the Sovereign Undertaking, the National Government, through the DOF, undertook to indemnify MWCI 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 the Parent Company 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, MWCI 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.

- b) On January 15, 2016, MWPVI entered into a MOA with the ALI Group, whereby MWPVI shall exclusively provide water and used water services and facilities to all property development projects of the ALI Group.
- c) 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:
 - i. Develop raw surface water sources in Hijo River;
 - ii. Plan, develop, design, build and test the facilities;
 - iii. Implement the project;
 - iv. Manage, use, occupy, operate, repair, maintain, upgrade and develop the facilities; and
 - v. Supply treated water to TWD for distribution to its network.
- d) 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.

- e) The voting rights held by the Group in MWCI as of March 31, 2016 and December 31, 2015 is equal to 80.5%.

Material partly-owned subsidiaries

The summarized financial information of subsidiaries that have material non-controlling interest is provided below. This information is based on amounts before intercompany eliminations.

	March 2016 (Unaudited)	December 2015 (Audited)	
Ayala Land, Inc. and Subsidiaries			
<i>(In Million Pesos)</i>			
Current assets	195,170	166,204	
Non-current assets	286,549	276,138	
Current liabilities	182,995	146,133	
Non-current liabilities	147,581	146,383	
Equity			
Attributable to owners of the parent	134,506	133,731	
Attributable to non-controlling interest	16,637	16,095	
Revenue	26,972	25,061	*
Net income			
Attributable to owners of the parent	4,709	4,122	*
Attributable to non-controlling interest	721	754	*
Other comprehensive income	13	(4)	*
Manila Water Co. Inc. and Subsidiaries			
<i>(In Million Pesos)</i>			
Current assets	15,213	9,948	
Non-current assets	71,308	70,660	
Current liabilities	13,573	12,400	
Non-current liabilities	32,698	28,489	
Equity			
Attributable to owners of the parent	39,307	38,825	
Attributable to non-controlling interest	943	894	
Revenue	4,210	4,026	*
Net income			
Attributable to owners of the parent	1,481	1,434	*
Attributable to non-controlling interest	27	49	*
Other comprehensive income	6	27	*
Integrated Microelectronics, Inc. and Subsidiaries			
<i>(In Million US\$)</i>			
Current assets	391	370	
Non-current assets	150	146	
Current liabilities	263	241	
Non-current liabilities	44	43	
Equity			
Attributable to owners of the parent	234	232	
Attributable to non-controlling interest	-	-	
Revenue	199	201	*
Net income			
Attributable to owners of the parent	6	7	*
Attributable to non-controlling interest	-	-	*
Other comprehensive income	3	(7)	*

* Based on unaudited March 31, 2015 financial reports.

As of March 31, 2016 (unaudited), the proportion of ownership interest held by material non-controlling interest of ALI, MWCI and IMI are 52.8%, 48.3% and 49.3%, respectively.

4. Cash and Cash Equivalents (in thousand pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Cash on hand and in banks	22,810,174	22,290,705
Cash equivalents	55,627,655	59,863,837
	78,437,829	82,154,542

Cash in bank earns interest at the prevailing bank deposit rates. Cash equivalents are short-term 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 investment rates.

The Group maintains cash and cash equivalents with BPI amounting to ₱49.3 billion and ₱56.6 billion, as of March 31, 2016 (unaudited) and December 31, 2015 (audited), respectively (see Note 21 Related Party Transaction).

5. Short-term Investments (in thousand pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Money market placements	1,118,104	2,052,288

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 at the respective short-term investment rates.

The Group maintains short-term investments with BPI amounting to ₱1.0 billion and ₱1.4 billion, as of March 31, 2016 (unaudited) and December 31, 2015 (audited), respectively (see Note 21 Related Party Transaction).

6. Accounts and Notes Receivable (in thousand pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Trade:		
Real estate	74,385,102	75,072,869
Electronics manufacturing	8,470,373	7,939,887
Automotive	2,630,425	2,313,177
Water distribution and wastewater services	2,330,673	2,437,166
Information technology and BPO	125,909	361,713
International and others	44,924	54,577
Advances to contractors and suppliers	30,465,948	15,530,279
Advances to other companies	17,295,747	15,980,519
Receivable from related parties (Note 21)	3,086,989	3,372,424
Receivable from Bonifacio Water Corporation (BWC)	529,501	529,501
Receivables from officers and employees (Note 21)	1,098,379	1,071,450
Investment in bonds classified as loans and receivables	258,000	258,000
Dividend receivable	-	1,153,466
Others	2,854,527	263,591
	143,576,497	126,338,619
Less allowance for doubtful accounts	1,710,640	1,949,332
	141,865,857	124,389,287
Less noncurrent portion	39,575,867	41,793,499
	102,289,990	82,595,788

The aging of the above receivables are summarized in the following table (in million pesos, unaudited):

	Up to 6 months	Over 6 mos. to one year	Over one year	Past due	Total
Trade Receivables	39,858	18,060	22,188	7,882	87,988
Non-Trade Receivables	36,727	7,645	9,428	78	53,878
Total	76,585	25,705	31,616	7,960	141,866

The Group's Advances to other companies account 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 supplier account are recouped every progress billing payment date depending on the percentage of accomplishment or delivery. Others account mainly include accrued interest receivable and other non-trade accounts from non-related entities which are non-interest bearing and are due and demandable. Also included in Others account is a P1.4 billion downpayment for ALI's subscription for common shares of POPI per Deed of Subscription and a Supplement to the Deed of Subscription (see Note 3.e Principles of Consolidation).

As of March 31, 2016, this account increased from year-end 2015 balances mainly driven by ALI group's higher sales and additional advances to various contractors for new and existing projects, IMI group's higher sales and Automotive group's increase in vehicle sales partially offset by AC's collection of dividend receivables. Provision for Doubtful Accounts amounted to net reversal of ₱4.3 million and net provision of ₱50.9 million for the periods ended March 31, 2016 and 2015 (both unaudited) form part of the Group's General and Administrative Expenses for the period, respectively.

7. Inventories (in thousand pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Real estate inventories		
At cost	71,542,644	58,227,196
At NRV	936,183	936,183
Vehicles	3,173,629	2,843,639
Finished goods	717,285	833,476
Work-in-process	842,350	735,559
Parts and accessories	329,417	318,249
Materials, supplies and others	4,905,439	5,000,226
	82,446,947	68,894,528
Less: Allowance for inventory obsolescence and decline in value*	366,840	463,620
	82,080,107	68,430,908

*Excluding allowance for real estate inventories

Increase in Real estate inventories by ₱13.3 billion pertains to ALI group's higher completed inventories for new and existing residential projects.

The Group's net reversal of provision for impairment losses on inventories (mainly coming from IMI group) amounting to ₱81.1 million and ₱23.1 million for the period ended March 31, 2016 and 2015 (both unaudited), respectively, form part of the consolidated General and Administrative Expenses.

8. Other Current Assets and Pension and Other Noncurrent Assets (in thousand pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Prepaid expenses	10,447,266	9,939,954
Input VAT	6,195,520	6,302,441
Financial assets at FVPL	5,537,618	5,072,792
Creditable withholding tax	2,792,527	3,729,620
Deposits in escrow	1,390,648	2,096,089
Derivative assets	26,142	241,263
Others	367,756	234,873
Other current assets	26,757,477	27,617,032
Pension and other noncurrent assets	15,941,949	14,291,330

Pension and other noncurrent assets include ₱211.8 million and ₱66.2 million pension assets as of March 31, 2016 (unaudited) and December 31, 2015 (audited), respectively. This account classification also includes noncurrent deposits (escrow and security deposits on land leases, electric and water meter deposits), deferred charges (mainly consist of prepayments for expenses that is amortized for more than one year), leasehold rights (right to use an island property which expires on December 31, 2029) and deferred Foreign Currency Differential Adjustment [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]. Non-current assets also include advances to joint venture partners that have been made in consideration of project costs and purchases of land that are still subject to completion, which upon completion, will subsequently form part of the project costs or purchased land.

9. Land and Improvements

This account consists of properties for future development and improvement eventually for transfer to real estate inventories for sale. This account decreased from ₱92,895 million as of December 31, 2015 (audited) to ₱91,580 million as of March 31, 2016 (unaudited) arising from ALI's transfers to real estate inventories for sale.

10. Investments in Associates and Joint Ventures

Investments in associates and joint ventures are accounted for under the equity method of accounting. Major associates and joint ventures and the related percentages of ownership as of March 31, 2016 are as follows:

	Economic Percentage of Ownership		Carrying Amounts	
	March 2016 (Unaudited)	December 2015 (Audited)	(in million pesos) March 2016 (Unaudited)	December 2015 (Audited)
Domestic:				
Bank of the Philippine Islands (BPI)	32.5	32.6	₱ 69,575	₱ 67,769
Liontide Holdings Inc. (LHI)* (formerly Ayala DBS Holdings, Inc.)	73.8	73.8	37,295	36,978
Globe Telecom, Inc. (Globe)*	30.7	30.4	18,853	17,759
GNPower Mariveles Coal Plant Ltd. Co (GNPower)	17.0	17.0	8,083	8,203
Ortigas and Company Limited Partnership (OCLP)	17.8	-	6,070	-
Emerging City Holdings, Inc. (ECHI)*	50.0	50.0	3,944	4,111
South Luzon Thermal Energy Corp. (SLTEC)*	50.0	50.0	3,919	3,792
Berkshire Holdings, Inc. (BHI)*	50.0	50.0	1,923	1,813
Light Rail Manila Holdings, Inc. (LRMHI)	50.0	50.0	1,520	1,469
Cebu District Property Enterprise, Inc. (CDPEI)*	42.0	42.0	1,489	1,491
Bonifacio Land Corporation (BLC)	10.0	10.0	1,353	1,353
Asiacom Philippines, Inc. (Asiacom)*	60.0	60.0	1,206	1,191
Philippine Wind Holdings Corporation (PWHC)	42.9	42.9	1,086	1,016
Foreign:				
Modular Construction Technology (MCT) Bhd. (incorporated in Malaysia)	33.0	33.0	6,259	5,999
Thu Duc Water B.O.O. Corporation (TDW) (incorporated in Vietnam)	49.0	49.0	2,459	2,402
Kenh Dong Water Supply Joint Stock Company (KDW) (incorporated in Vietnam)	47.4	47.4	2,235	2,202
Saigon Water Infrastructure Joint Stock Company (Saigon Water) (incorporated in Vietnam)	31.5	31.5	800	793
VinaPhil Technical Infrastructure Investment Joint Stock Company (VinaPhil) (incorporated in Vietnam)*	49.0	49.0	524	535
Cu Chi Water Supply Sewerage Company Ltd. (incorporated in Vietnam)	24.5	24.5	326	326
Integreon, Inc. (Integreon) (British Virgin Islands Company)*	58.7	58.7	134	144
Others	Various	Various	3,942	3,365
			₱ 172,995	₱ 162,711

* 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 in 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 its ownership interest.

The following are highlights of significant transactions of the associate and joint venture, part of which affected the Company's investments in its associate and joint venture:

BPI

- 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.
- The effective voting rights held by the Group in BPI as of March 31, 2016 and December 31, 2015 is equal to 49.7% and 49.8%, respectively.

BPI's Statements of Condition information (in million pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Total Resources	1,542,181	1,516,356
Total Liabilities	1,383,670	1,363,626
Capital Funds Attributable to the Equity Holders of BPI	155,989	150,284
Capital Funds Attributable to the Noncontrolling Interest	2,522	2,446
Total Liabilities and Capital Funds	1,542,181	1,516,356

BPI's Statements of Income information (in million pesos except EPS Figures):

	March 2016 (Unaudited)	March 2015 (Unaudited)
Interest income	13,856	12,559
Other Income	5,271	5,128
Total revenues	19,127	17,687
Operating expenses	7,847	7,316
Interest expense	3,858	3,130
Impairment losses	1,181	1,021
Provision for income tax	1,204	1,217
Total Expenses	14,090	12,684
Net income for the period	5,037	5,003
Attributable to:		
Equity holders of BPI	4,978	4,915
Noncontrolling interest	59	88
	5,037	5,003
EPS	1.26	1.25

The Company's share in the net identifiable assets of BPI as of March 31, 2016 (unaudited) amounted to ₱51,574 million. No dividends received from BPI for the period ended March 31, 2016 (unaudited). The fair market value of the Company's investment in BPI as of March 31, 2016 (unaudited) amounted to ₱111,445 million.

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.
- b) The effective voting rights held by the Group in Globe as of March 31, 2016 and December 31, 2015 is equal to 46.6% and 46.5%, respectively.

Globe's Statements of Financial Position information (in million pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Current Assets	47,171	47,073
Noncurrent Assets	148,623	148,607
Total Assets	195,794	195,680
Current Liabilities	67,471	65,530
Noncurrent Liabilities	67,434	70,752
Equity Attributable to Equity Holders of the Parent	60,888	59,392
Equity Attributable to Noncontrolling Interest	1	6
Total Liabilities and Equity	195,794	195,680

Globe's Statements of Income information (in million pesos except EPS Figures):

	March 2016 (Unaudited)	March 2015 (Unaudited)
Net Operating Revenues	31,546	28,046
Other Income	420	282
Total Revenues	31,966	28,328
Costs and Expenses	25,691	22,281
Provision for Income Tax	1,940	1,844
Total Expenses	27,631	24,125
Net Income	4,335	4,203
Total net income attributable to:		
Equity holders of the Parent	4,340	4,205
Noncontrolling interest	(5)	(2)
Net Income	4,335	4,203
EPS:		
Basic	31.60	30.59
Diluted	31.59	30.57

The Company's share in the net identifiable assets of Globe as of March 31, 2016 (unaudited) amounted to ₱18,675 million. Dividends received from Globe for the period ended March 31, 2016 (unaudited) amounted to ₱888 million. The fair value of the Company's investment in Globe as of March 31, 2016 (unaudited) amounted to ₱90,394 million.

LHI

- a) As of March 31, 2016, the Company's direct ownership in LHI is equal to 73.8%, while LHI's direct ownership in BPI is equal to 21.3%. The fair value of BPI shares held by LHI amounted to ₱72,874 million as of March 31, 2016 (unaudited). The Company and Arran Investment Pte. Ltd. (GICSI), an entity managed and controlled by GIC Special Investments Pte. Ltd., as joint venture partners, agreed to vote its BPI shares based on the common position reached jointly by them as shareholders.

11. Investments in Bonds and Other Securities, Intangible Assets and Deferred Tax Assets (in thousand pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Investments in bonds and other securities	3,323,387	3,737,816
Intangible assets	3,494,014	3,909,603
Deferred tax assets - net	9,462,320	9,742,797

Investment in bonds and other securities account includes quoted equity instruments comprising mainly of investments in listed equity securities and golf club shares. This account also includes unquoted equity investments consisting of investment in unlisted equity shares and 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.

12. Investment Properties

This comprises completed and under construction properties or re-development that are held to earn rentals, and are not occupied by the companies in the Group. These properties include parcels of land, buildings and other real estate properties. The account includes Investment in Land, ₱12,862 million and ₱13,145 million as of March 31, 2016 (unaudited) and December 31, 2015 (audited), respectively; Investment in Building, ₱67,064 million and ₱60,670 million as of March 31, 2016 (unaudited) and December 31, 2015 (audited), respectively; and Construction-in-Progress, ₱9,854 million as of March 31, 2016 (unaudited) and December 31, 2015 (audited), net of accumulated depreciation and amortization and impairment loss.

13. Service Concession Assets

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.

14. Accounts Payable and Accrued Expenses (in thousand pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Accounts payable	101,996,942	85,018,209
Accrued expenses		
Project costs	14,898,832	16,939,548
Personnel costs	6,170,399	4,964,387
Rental and utilities	3,617,091	3,568,090
Professional and management fees	3,165,985	3,123,664
Advertising and promotions	2,050,460	1,101,267
Repairs and maintenance	1,579,321	3,070,438
Various operating expenses	6,394,769	2,150,777
Liability for purchased land	5,875,203	5,875,203
Interest payable	2,346,558	2,456,026
Related parties (Note 21)	1,745,719	1,372,445
Dividends payable	1,597,126	3,414,356
Taxes payable	10,336,865	10,965,789
Retentions payable	1,357,321	1,577,677
	163,132,591	145,597,876

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.

As of March 31, 2016 (unaudited) and December 31, 2015 (audited), accounts payable includes non-interest bearing liability of the Company to DBS Ltd. in relation to the acquisition of BPI common shares and LHI Class B common shares amounting to ₱3.3 billion. This was subsequently settled by AC parent on May 10, 2016.

Accrued expenses consist mainly of expenses already incurred but not yet billed for project costs, personnel, rental and utilities, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, subcontractual costs, security, insurance, and representation.

Incurred expenses which are not classified in the specific accrued expense accounts and which are individually immaterial are booked under various operating expenses.

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.

Taxes payable consists of net output VAT, withholding taxes, business taxes, and other statutory payables, which are payable within one year.

Increase in Accounts payable and accrued expenses account was due to higher trade payables and accruals of ALI group for its new and existing projects (including higher construction payables); IMI and Automotive groups higher sales; offset by AC's settlement of dividends payable. ALI group's payables are offset against or diminished by the amounts in Advances to Contractors and Suppliers (see Note 6) once the projects are completed based on percentage of completion and other milestones.

15. Other Current and Noncurrent Liabilities (in thousand pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Other current liabilities	11,169,851	4,629,680
Other noncurrent liabilities	25,948,013	32,238,772

Other current liabilities include the following:

- a. 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.
- b. Nontrade payables such as non-interest bearing real estate-related payables to contractors, tenants' deposits, construction bonds and various non-trade suppliers which are due within one year. This account also includes finance lease payable and miscellaneous non-interest bearing non-trade accounts of the Group due within one year.

Other noncurrent liabilities include the following:

- a. 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.

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.

- b. Retentions payable pertains to amount withheld 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.

- c. Estimated liability on property development which pertains to the estimated future development of the sold portion of the real estate inventories.
- d. 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.
- e. Other nontrade payables which are not classified elsewhere in the financial statements.

Increase in other current liabilities was primarily due to ALI group's higher deposits on residential projects. On the other hand, decrease in other noncurrent liabilities was significantly due to ALI group's reduction on payables on land acquisitions.

16. Short-term and Long-term Debt (in thousand pesos):

	March 2016 (Audited)	December 2015 (Audited)
Short-term debt:		
Company:		
Philippine Peso with various interest rates	-	8,000,649
Subsidiaries:		
Philippine Peso with various interest rates	29,101,832	13,077,600
Foreign Currency with various interest rates	2,104,691	3,309,266
	31,206,523	16,386,866
	31,206,523	24,387,515
Long-term debt:		
Company:		
Bank loans with various interest rates	8,085,994	8,084,468
Fixed Rate Corporate Notes (FXCNs)	2,986,144	2,985,678
Bonds, due 2017 to 2027	39,792,739	39,780,544
	50,864,877	50,850,690
Subsidiaries:		
Loans from banks & other financial institutions:		
Foreign currency with various interest rates	45,259,416	37,780,645
Philippine Peso with various interest rates	52,008,463	38,833,219
Bonds, due 2016 to 2033	60,587,300	52,813,032
Exchangeable bonds	12,950,285	13,159,894
Floating Rate Corporate Notes (FRCNs)	1,000,000	1,000,000
Fixed Rate Corporate Notes (FXCNs)	27,484,585	44,515,699
	199,290,049	188,102,489
	250,154,926	238,953,179
Less current portion	25,332,759	28,153,532
Non-current portion	224,822,167	210,799,647

As of March 31, 2016 (unaudited), total proceeds from availment of short-term and long-term debt amounted to ₱30.3 billion which consists of proceeds from loans of ALI (₱21.6 billion), MWC (₱5.5 billion), ACEHI (₱1.8 billion) and IMI (₱1.1 billion), while payments of short-term and long-term debt amounted to ₱16.2 billion which pertains to loan payment of AC (₱8.0 billion), ALI (₱4.2 billion), AYC (₱2.8 billion) and IMI (₱1.2 billion).

The Group has short-term and long-term debt payable to BPI amounting to ₱26.2 billion and ₱28.9 billion as of March 31, 2016 (unaudited) and December 31, 2015 (audited), respectively (see

Note 21 Related Party Transaction). Interest expense incurred from these debts for the period ending March 31, 2016 and 2015 (both unaudited) amounted to ₱58.7 million and ₱222.4 million, respectively (see Note 21 Related Party Transaction).

The loan agreements on long-term debt of the 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 March 31, 2016 and December 31, 2015. The Company aims to maintain for its debt to equity ratio not to exceed 3:1 in compliance with loan covenants of AYC Finance. The highlights of loan covenants of the major subsidiaries and associates/ joint ventures are discussed in the respective SEC17Q reports as of March 31, 2016 of ALI, IMI, MWCI, BPI and Globe.

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 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.

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 Group 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 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 liability component and an equity component (pertaining to the exchange option), the Group applied split accounting. The value allocated to the equity component at issue date amounted ₱ 1.114 billion, being the residual amount after deducting the fair value of the liability component amounting to ₱11.98 billion from the issue proceeds of the Bonds.

As of March 31, 2016 (unaudited), the unamortized discount of the Bonds amounted to ₱871.7 million. Interest expense recognized in the statement of income amounted to ₱85.75 million for the period ended March 31, 2016 (unaudited).

17. Equity

Details of the Company's paid-up capital (in thousand pesos):

	Preferred Stock - A	Preferred Stock - B	Preferred Stock - Voting	Common Stock	Subscribed	Additional Paid-in Capital	Subscriptions Receivable	Total Paid-in Capital
At January 1, 2016 (Audited)	1,200,000	5,800,000	200,000	30,808,747	171,810	36,316,708	(577,943)	73,919,322
Exercise/cancellation of ESOP/ESOWN					26,557	555,497	(321,752)	260,302
At March 31, 2016 (Unaudited)	1,200,000	5,800,000	200,000	30,808,747	198,367	36,872,205	(899,695)	74,179,624
At January 1, 2015 (Audited)	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		201,143	137,924	347,817
At December 31, 2015 (Audited)	1,200,000	5,800,000	200,000	30,808,747	171,810	36,316,708	(577,943)	73,919,322

The Group's reconciliation of Retained Earnings available for dividend declaration shows the following as of March 31, 2016 and December 31, 2015 (in thousand pesos):

	March 2016 (Unaudited)	December 2015 (Audited)
Consolidated retained earnings balance	130,248,511	124,468,464
Accumulated equity in net earnings of subsidiaries, associates and joint ventures	(96,388,173)	(92,897,204)
Treasury shares balance	(2,300,000)	(2,300,000)
Retained Earnings available for dividends	31,560,338	29,271,260

There was no dividends declared by the Company as of March 31, 2016 while table below shows the details on the dividends declared as of December 31, 2015:

	December 2015 (Audited)
<i>(in thousand pesos except dividends per share)</i>	
Dividends to common shares:	
Cash dividends declared	3,568,931
Cash dividends per share	5.76
Dividends to equity preferred shares declared	
Cash dividends to Preferred B shares	1,277,625
Cash dividends to Voting Preferred shares	3,750

18. Earnings Per Share

The following table presents information necessary to calculate EPS:

	March 2016 (Unaudited)	March 2015 (Unaudited)
<i>(In Thousand Pesos)</i>		
Net Income	5,780,048	5,043,726
Less: Dividends on Preferred Shares	(319,406)	(319,406)
	5,460,642	4,724,320
Less: Dilutive effect of Options issued by subsidiaries, associates and joint ventures	(60,486)	(54,172)
	5,400,156	4,670,148
<i>(In Thousand Shares)</i>		
Weighted average number of common shares	619,745	619,476
Dilutive shares arising from stock options	2,676	2,778
Adjusted weighted average number of common shares for diluted EPS	622,421	622,254
<i>(In Pesos)</i>		
Basic EPS	8.81	7.63
Dilutive EPS	8.68	7.51

19. Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the primary segment reporting format is by business segment.

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, fundtransfers, 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.
- Power generation or 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.

The Automotive and Other segment is composed of established operating units of automotive, international, aviation, consultancy and agri-business. This segment also includes start-up units in infrastructure, health services and education. The individual stand-alone assets and results of operation (revenues, expenses, income) of all the units above are not material as compared to the consolidated assets and results of operation of AC group that qualify them into this "segment".

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 Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

The following tables regarding operating segments present revenue and income information for the periods ended March 31, 2016 and 2015 (both unaudited) and assets and liabilities as of March 31, 2016 (unaudited) and December 31, 2015 (audited).

March 2016 (Unaudited)

(in million pesos)

	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	40	25,603	-	-	3,891	9,444	389	8	5,903	-	45,278
Intersegment	41	25	-	-	31	-	-	-	58	(155)	-
Share of profit of associates and joint ventures	-	(46)	2,401	1,327	88	-	(11)	321	74	-	4,154
Interest income	187	1,315	-	-	69	4	15	4	2	-	1,596
Other income	(9)	136	-	-	1,270	(33)	(13)	(25)	445	-	1,771
Total income	259	27,033	2,401	1,327	5,349	9,415	380	308	6,482	(155)	52,799
Operating Expenses	609	18,055	-	-	2,299	9,009	411	184	6,156	(184)	36,539
Operating profit	(350)	8,978	2,401	1,327	3,050	406	(31)	124	326	29	16,260
Interest expense and other financing charges	1,091	1,687	-	-	383	35	6	5	29	-	3,236
Other charges	-	-	-	-	964	-	146	1	-	-	1,111
Provision for income tax	(48)	1,824	-	-	354	61	7	(91)	51	-	2,158
Net income	(1,393)	5,467	2,401	1,327	1,349	310	(190)	209	246	29	9,755
OTHER INFORMATION											
Segment Assets	57,492	450,470	-	-	106,470	24,830	2,106	12,305	22,173	(20,012)	655,834
Investments in associates and joint ventures	124,780	23,719	-	-	5,819	-	1,900	13,624	3,153	-	172,995
Deferred tax assets	246	7,530	-	-	947	86	44	171	76	362	9,462
Total Assets	182,518	481,719	-	-	113,236	24,916	4,050	26,100	25,402	(19,650)	838,291
Segment liabilities	104,891	327,708	-	-	50,646	14,090	744	5,897	8,311	(16,653)	495,634
Deferred tax liabilities	89	2,868	-	-	4,342	55	-	28	59	39	7,480
Total Liabilities	104,980	330,576	-	-	54,988	14,145	744	5,925	8,370	(16,614)	503,114
Depreciation & amortization	80	1,447	-	-	910	333	22	9	68	-	2,869
Non-cash expenses other than depreciation & amortization	146	-	-	-	3	(85)	(5)	1	-	-	60

March 2015 (Unaudited)
(in million pesos)

	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	(58)	23,663	-	-	3,758	8,920	469	-	4,299	-	41,051
Intersegment	-	-	-	-	2	-	-	-	74	(76)	-
Share of profit of associates and joint ventures	-	-	-	-	-	-	-	-	-	-	-
Interest income	202	1,293	-	-	130	8	12	2	3	(1)	1,649
Other income	105	135	-	-	891	(9)	(7)	1	308	-	1,424
Total income	249	25,052	2,442	1,280	4,866	8,919	345	16	4,746	(77)	47,838
Operating Expenses	550	17,004	-	-	1,976	8,523	477	25	4,455	134	33,144
Operating profit	(301)	8,048	2,442	1,280	2,890	396	(132)	(9)	291	(211)	14,694
Interest expense and other financing charges	1,091	1,574	-	-	379	28	7	-	22	-	3,101
Other charges	-	-	-	-	669	-	-	-	1	-	670
Provision for income tax	17	1,550	-	-	456	53	3	1	39	-	2,119
Net income	(1,409)	4,924	2,442	1,280	1,386	315	(142)	(10)	229	(211)	8,804

December 2015 (Audited)
(in million pesos)

Other information											
Segment Assets	69,090	416,909	-	-	96,401	24,398	2,834	10,517	20,958	(19,486)	621,621
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	366	9,743
Total Assets	190,766	442,343	-	-	103,050	24,387	4,469	24,126	24,054	(19,120)	794,075
Segment liabilities	103,839	290,734	-	-	40,952	13,449	1,026	4,260	7,550	(2,720)	459,090
Deferred tax liabilities	89	1,782	-	-	4,393	64	-	47	27	39	6,441
Total Liabilities	103,928	292,516	-	-	45,345	13,513	1,026	4,307	7,577	(2,681)	465,531
Depreciation & amortization	219	4,247	-	-	3,468	1,054	158	10	282	5	9,443
Non-cash expenses other than depreciation & amortization	611	156	-	-	53	104	18	271	95	154	1,462

20. Financial Instruments

Fair Value of Financial Instruments

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 instruments - 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. (Please see related discussion in Noted 16 Short-term and long term debt).

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.

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.

AFS unquoted debt investments - Fair values are based on the discounted value of future cash flows using the applicable rates for similar types of instruments.

Accounts payable and accrued expenses, customers' deposits, short-term debt and current portion of long-term debt and service concession obligation - The fair values of accounts payable and accrued expenses and short-term debt approximate the carrying amounts due to the short-term nature of these transactions.

Customers' deposits - 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 fair value of noncurrent other financial liabilities (fixed rate and variable rate loans repriced on a semi-annual/annual basis and deposits) are estimated using the discounted cash flow methodology using the current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.

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.

Fair Value Hierarchy

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. As of March 31, 2016, there were no transfers made by the Group.

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.

For additional discussion, please refer to the Annual Corporate Governance Report posted in the Company's official website www.ayala.com.ph.

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.

Foreign Exchange Risk

The Group's foreign exchange risk results primarily from movements of the Philippine Peso (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. The Group may enter into currency forward contracts to hedge its risks associated with foreign currency fluctuations.

The second and third columns of the table below summarize the Group's exposure to foreign exchange risk as of March 31, 2016. The fourth and fifth columns of the table demonstrates the sensitivity to a reasonably possible change in the peso 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 (in thousands).

Foreign currency	Net asset (liabilities)	PHP equivalent	Increase (decrease) in Peso per foreign currency	Increase (decrease) in profit before tax
United States Dollar (USD)	(205,993)	(9,490,084)	1.00 (1.00)	(205,993) 205,993
Japanese Yen (JPY)	(17,493,018)	(7,173,808)	1.00 (1.00)	(17,493,018) 17,493,018
Chinese RMB (RMB)	236,234	1,684,407	1.00 (1.00)	236,234 (236,234)
Euro (EUR)	25,954	1,356,158	1.00 (1.00)	25,954 (25,954)
Vietnam Dong (VND)	11,111,219	22,881	1.00 (1.00)	11,111,219 (11,111,219)

There is no other impact on the Group's equity other than those already affecting the 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.

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.

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. The Group has a well-defined credit policy and established credit procedures.

21. 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.

There has not been any material transaction during the last two years, or proposed transaction, to which the Group 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 identified in this condensed interim financial information had or is to have a direct or indirect material interest.

In 2014, Company adopted a Related Party Transactions (RPT) policy which provides that related party transactions between the Company and related parties shall be subject to review and approval to ensure that they are at "arm's length", the terms are fair, and they will inure to the best interest of the Company and its shareholders.

Highlights of related party transactions follow:

Transactions with BPI

The Group maintains current and savings account, money market placements and other short-term investments with BPI amounting to ₱50.4 billion and ₱58.0 billion, as of March 31, 2016 (unaudited) and December 31, 2015 (audited), respectively. The Other Current Assets account as of March 31, 2016 (unaudited) and December 31, 2015 (audited) includes ₱691 million and ₱288 million Financial Assets at FVPL of ALI with BPI, respectively. It also has short-term and long-term debt payable to BPI amounting to ₱26.2 billion and ₱28.9 billion as of March 31, 2016 (unaudited) and December 31, 2015 (audited), 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.

Receivables from Related Parties

The Group has ₱3,087million and ₱3,372 million receivables from related parties as of March 31, 2016 (unaudited) and December 31, 2015 (audited) respectively. The balances pertain mostly to interest and non-interest bearing advances with various maturities from 30 days to two (2) years. Advances include certain residential development projects which become due as soon as the projects are completed. The receivables also include certain trade receivables arising from automotive and other sales. This account also includes other receivables relating to reimbursement of operating expenses like management fees, among others. The trade and other receivables are unsecured, interest free, will be settled in cash and are due and demandable.

Receivables from Officers and Employees

The Group has ₱1,098 million and ₱1,071 million receivables from officers and employees as of March 31, 2016 (unaudited) and December 31, 2015 (audited), respectively. These 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 2027.

Payables to Related Parties

The Group has payables to various related parties amounting to ₱1,746 million and ₱1,372 million as of March 31, 2016 (unaudited) and December 31, 2015 (audited), respectively. These payables include: a) cost of lots for joint development projects; b) purchased parts and accessories and vehicles; and c) advances and reimbursements for operating costs. These are all interest-free, unsecured, will be settled in cash. Maturities of these payables range from 15 days to one year, with some accounts due and demandable.

Income and Expenses

The group realized total income of ₱234 million and P200 million from related parties and incurred total expenses of ₱162 million and P254 million for the period ending March 31, 2016 and March 31, 2015, respectively (both unaudited). These 2016 amounts represent 0.45% and 0.22% of the Group's total income and expenses, respectively. These consist of, among others, income from real estate, automotive sales, professional services and interest/financing as well as expenses on interest, water utilities, communications and professional fees (see Note 16 Short Term and Long Term Debt).

Item 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Ayala Corporation recorded a net income of ₱5.8 billion in the first quarter of the year, expanding 15 percent from a year ago, as most of its businesses performed well with largest growth coming from its real estate, power generation, and automotive businesses.

Consolidated Sale of Goods and Services

Sale of goods and rendering services rose 10 percent to ₱45.3 billion mainly driven by the higher sales of Ayala Automotive combined with improved peso revenues of IMI as a result of appreciation of US dollar against Peso. In addition, the strong growth in Ayala Land's construction segment as well as Manila Water's billed volume growth supported the increase. This accounted for 86 percent of total income in the first quarter.

Real Estate

Ayala Land registered a 14 percent growth in net income to ₱4.7 billion on the back of robust residential, office space sales, and commercial leasing segments and higher margins across all product lines. Real estate revenues, inclusive of interest income on accretion, grew 8 percent to ₱26.7 billion supported by the steady performance of its property development and commercial leasing businesses.

Residential revenues expanded 14 percent to ₱15.9 billion on higher bookings and project completion. Reservation sales rose 6 percent to ₱24.7 billion. This was supported by improved revenues from the sale of office space, which jumped 33 percent to ₱1.3 billion on bookings primarily from Alveo Financial Tower in Makati Central Business District.

Revenues from shopping center and office leasing segments improved during the period on contribution of newly opened malls and office spaces. Shopping center revenues expanded 15 percent to ₱3.6 billion, while office leasing revenues grew 13 percent to ₱1.4 billion. Together with hotels and resorts, shopping centers and office leasing, the recurring income business contributed 40 percent of Ayala Land's net income in the first quarter.

Water

Manila Water registered a 3 percent growth in net income to ₱1.5 billion in the first three months of the year on improved East Zone operations, backed by strong topline growth of its domestic businesses.

Billed volume in the Metro Manila East Zone climbed 6 percent owing to the expansion initiatives in the Pasig, Marikina, and Taguig areas. Furthermore, its domestic operations jumped 44 percent to ₱643 million bolstered by higher connections and upward tariff adjustments particularly in Laguna Water and Boracay Water as well as contribution from Estate Water.

Manila Water's two bulk water companies in Vietnam, Thu Duc Water and Kenh Dong Water as well as its investment in Saigon Water, grew 4 percent year-on-year. Manila Water's businesses outside the East Zone, which includes domestic and overseas operations, collectively grew 4 percent, accounting for 15 percent of its net income in the first quarter.

Manila Water continues to improve its operating efficiencies, with non-revenue water in the Metro Manila concession lower at 11.2 percent at the end of the first quarter, a 0.9 percent-point improvement year-on-year. Meanwhile, collection efficiency remained strong in the first three months of the year at 100 percent.

Electronics Manufacturing

Integrated Microelectronics registered a net income of \$6.5 million (or ₱311 million) in the first quarter, a 4 percent decline year-on-year. IMI's continued shift in revenue mix to new platform technologies drove the 3.2 percent sequential improvements in its consolidated revenues from the fourth quarter of 2015 to \$199.1 million (or ₱9.4 billion) in the first quarter of the year.

This transition reflects IMI's strategy to exit some of its low-margin consumer electronics businesses and the discontinued products in the computing segment as it ramps up its automotive and industrial products.

IMI's China operations posted a 3.3 percent decline in revenues to \$66.6 million as customer demand on consumer electronics slow down, including phased out models. Its revenues from its Europe and Mexico operations grew 6.4 percent to \$73.3 million in the first quarter on higher demand in the automotive segment, mitigating the effect of a weaker euro. Meanwhile, IMI's revenues from its Philippine operations decreased 2.3 percent to \$51.4 million on strong growth in the automotive and industrial segments, which partially filled the revenue gap from computer peripherals.

Power Generation

AC Energy sustained its positive earnings trajectory, generating a net income of ₱250 million in the first quarter as its power projects achieved more efficient operating levels.

AC Energy currently has approximately 650 megawatts in attributable capacity across its conventional and renewable investments. With financial close of the first unit of the 2x660MW GN Power Dinidingin plant expected in the third quarter of this year, AC Energy is set to achieve its goal of assembling 1,000 megawatts of attributable capacity by the end of 2016.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures climbed 12 percent to ₱4.2 billion as a result of the significant increase in equity earnings contribution of AC Energy's investees, which commenced operation in the latter part of 2015.

Banking

Bank of the Philippine Islands reported a net income of ₱5 billion in the first quarter of the year, up 1.3 percent year-on-year as its core lending business, non-interest income, and securities trading continue to improve.

The bank's total revenues grew 5 percent to ₱15.3 billion supported by the 6 percent increase in net interest income, which reached ₱10 billion. Non-interest income improved 2.8 percent to ₱5.3 billion on combined gains from securities and foreign exchange trading, which grew 22 percent.

BPI's operating expenses went up 7.3 percent to ₱7.9 billion, primarily driven by higher regulatory and marketing-related costs. This translated to a slight increase in cost-to-income ratio to 51.4 percent from 50.3 percent a year ago.

The bank's loan portfolio expanded 18.1 percent to ₱861.2 billion, comprising 78 percent corporate and 22 percent retail borrowers. Despite the growth in the bank's loan book, its gross 90-day non-performing loans slightly decreased to 1.7 percent. Meanwhile, total deposits reached ₱1.3 trillion, 12 percent higher from its year-ago level. Current and savings account at the end of the first quarter stood at 72.6 percent.

This puts BPI's total assets to ₱1.5 trillion, up 9 percent year-on-year. The bank's capital adequacy during the period remains strong, recording a 7 percent increase from the previous year to ₱156 billion, with capital adequacy ratio at 13.9 percent.

Telecommunications

Globe Telecom sustained its robust topline growth bolstered by gains across its data-related product segments, with net income growing 3 percent to ₱4.3 billion in the first three months of the year.

Globe's bottom-line growth was tempered by the ₱6.2 billion in depreciation expenses during the period. A 40 percent jump from a year ago, the depreciation expenses resulted from the one-time adjustments of from end of useful life of certain assets, the additional depreciation charges from Bayan this quarter which were not part of the depreciation last year, as well as the depreciation of new assets completed in 2015.

Without the impact of non-recurring charges, foreign exchange gains and mark-to-market charges, Globe's core net income stood at ₱4.2 billion in the first quarter, flat from a year ago.

Service revenues reached ₱29.9 billion in the first quarter, a 14 percent improvement from its year-ago level. This strong growth was partly driven by contribution from Bayan amounting to ₱1.5 billion.

Customer base expansion in both the prepaid and postpaid segments drove the 7 percent growth in mobile revenues, which reached ₱23.1 billion from a year ago. Globe's mobile subscribers jumped 18 percent to 57.3 million at the end of the first quarter.

Mobile data service revenues soared 62 percent to ₱9.1 billion owing to the increasing smartphone penetration and availability of low-priced data capable devices combined with Globe's attractive offerings and improved data network. This was partly offset by the decline in core mobile voice and SMS revenues by 11 percent and 15 percent, respectively as traffic shifted to data services.

Similarly, Globe's group home broadband business, which includes Bayan, posted robust growth with revenues expanding 51 percent to ₱3.5 billion and subscriber base improving 41 percent to 1.1 million. Strong demand for internet and data connectivity combined with its bundled entertainment-related content offerings drove Globe's home broadband revenues during the period. Globe's corporate data business likewise soared, climbing 51 percent to ₱2.3 billion on increased demand for service solutions and cloud-based services from corporate clients.

This translated to a consolidated EBITDA of ₱13 billion, 18 percent higher year-on-year, with EBITDA margin at 44 percent, higher than the 42 percent recorded the previous year.

Other Income

Other income expanded 24 percent from the previous year to ₱1.7 billion driven by the higher rehabilitation works of Manila Water, partially offset by the lower dividend income of Ayala parent.

Costs and Expenses

Consolidated cost of sales and rendering services stood at ₱32.5 billion, 11 percent higher from a year ago supported by higher sales of Ayala Land and Ayala Automotive, Manila Water and IMI.

Other charges jumped 66 percent to ₱1.1 billion on the back of significant increase in the cost of Manila Water's rehabilitation works.

Balance Sheet Highlights

The Ayala group's total debt in the first quarter stood at ₱281.4 billion, 7 percent higher year-on-year largely driven by new loan drawdowns of Ayala Land and Manila Water.

Cash and cash equivalents at the end of the first quarter declined 5 percent to ₱78.4 billion as a result of lower funds of Ayala parent and AYC on loan settlements combined with Ayala Land's additional investments in associates and joint ventures and funding of capital expenditures. This was partially offset by Manila Water's higher cash balance from loan proceeds.

Current accounts and notes receivable posted a 24 percent growth to ₱102.3 billion mainly attributed to Ayala Land's higher sales and advances to contractors for its various projects. This was also lifted by higher sales in both IMI and Ayala Automotive, partially offset by Ayala parent's collection of dividend receivables.

Non-current account and receivables decreased 5 percent to ₱39.6 billion owing to Ayala Land's reclassification of items to current account as they mature over a period of one year.

Ayala parent maintains a comfortable balance sheet that allows it to pursue investments as well as cover its dividend and debt obligations. At end of the first quarter, parent company cash stood at ₱37.7 billion, putting its net debt-to-equity ratio to 0.43 at the parent level and 0.60 at the consolidated level. Ayala's loan-to-value ratio, which is the ratio of its parent net debt to the value of its investments, stood at 8.1 percent at the end of the first quarter.

Key Performance indicators:

The Group maintains healthy financial ratios driven by strong operating performance of major subsidiaries and investees.

The key performance indicators (consolidated figures) that the Group monitors are the following:

Ratio	Formula	March 2016 (Unaudited)	December 2015 (Audited)
Liquidity Ratio	$\frac{\text{Cash/ Cash equivalents + Short-term cash investments}}{\text{Current Liabilities}}$	0.34	0.41
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.24	1.28
Solvency Ratio	$\frac{\text{After-Tax Net Profit + (Depreciation + Amortization)+Provision for Bad Debts}}{\text{Total Liabilities}}$	0.02	0.02 *
Debt-to-Equity Ratio	$\frac{\text{Long-term Loans + Short Term Loans}}{\text{Equity Attributable to Owners of the Parent}}$	1.31	1.26
Assets- to-Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity Attributable to Owners of the Parent}}$	3.92	3.81
Interest Expense Coverage Ratio	$\frac{\text{EBITDA}}{\text{Interest Expense}}$	5.57	5.18 *
Return on Equity	$\frac{\text{Net Income to Owners of the Parent}}{\text{Equity Attributable to Owners of the Parent (Average)}}$	2.7%	2.6% *
Return on Common Equity	$\frac{\text{Net Income to Owners of the Parent Less Dividends onPreferred Shares}}{\text{Common Equity Attributable to Owners of the Parent(Average)}}$	2.9%	2.8% *
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	1.2%	1.1% *

* Based on Unaudited March 31, 2015.

2.1 Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. The following conditions shall be indicated: whether or not the registrant is having or anticipates having within the next twelve (12) months any cash flow or liquidity problems; whether or not the registrant is in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments; whether or not a significant amount of the registrant's trade payables have not been paid within the stated trade terms.

The Group does not expect any liquidity problems and is not in default of any financial obligations. The Group complied with the existing loan covenants and restrictions as of March 31, 2016.

2.2 Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

None

2.4 Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures.

For 2016, the Company have set aside ₱22.4 billion in capital spending at the parent level mainly to fund our pipeline of power generation projects. At the group level, the Company earmarked ₱174 billion in combined capital expenditures primarily to support the growth strategy of our real estate and telecom units.

For the first quarter of 2016, Ayala has spent ₱1.7 billion, a significant portion of which was used to support its investments in ACEHI, AC Infra, AEI and Globe. The capital expenditures were funded through a combination of internally-generated cash and debt.

For the year 2016, ALI's consolidated budget for project and capital expenditures amount to ₱84.5 billion of which 27% has been disbursed in the 1Q 2016. This will be financed through a combination of internally-generated funds, borrowings and operations.

ALI will use the capital expenditure for land acquisition as well investment properties and completion of launched residential projects.

ALI spent a total of ₱23.40 billion for project and capital expenditures in the first three months of 2016. Of the total capital expenditure, 13% was spent on land acquisition, 5% was spent on the development of its estates, 29% was spent on the completion of residential projects and 23% was spent on commercial leasing projects with the rest of the amount disbursed for its new businesses, services and other investments.

MWCI targets to spend around ₱11 billion capital expenditures in 2016 for the rehabilitation and construction of facilities to improve water and sewer services in the East Zone Service Area, based on the 2013 rate rebasing arbitration decision and government approvals. Capital expenditures will be funded from the current cash reserves, internal funds generation and proceeds from available loan facilities.

MWCI's East Zone spent a total of ₱1.30 billion (inclusive of concession fee payments) for capital expenditures in the first three months of 2016, 90% more than the ₱683 million spent in the same period the previous year. Of the total amount, 39% was spent on wastewater expansion, network reliability and water supply projects, while the balance of 61% was accounted for by concession fees paid to MWSS. Capital expenditures for the balance of 2016 is expected to ramp up as large projects start to be awarded to contractors. Committed capital expenditures from 2016 to 2017 in the approved business plan amount to more than ₱20 billion. Meanwhile, total capital expenditures of the domestic operating subsidiaries grew by 83% to ₱356 million from the ₱195 million spent in the first quarter of 2015. Of the total amount, ₱210 million was used by Laguna Water for its development of new water sources and network expansion, while Clark Water and Boracay Water disbursed ₱78 million and ₱68 million, respectively.

IMI's capital investments in the first quarter totaled \$8.6 million, higher by 57 percent from last year with a significant portion of these investments directly supporting new business awards. For the full year of 2016, IMI expects to spend \$40.8M for capital expenditures. The increase in capital expenditures is largely related to the company's investments in Mexico, Bulgaria, China and Philippines to support line expansion and new product introduction. The new programs will commence production ramp-up in 2017.

2.5 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

The Company's and its subsidiaries' performance will continue to hinge on the overall economic performance of the Philippines and other countries where its subsidiaries operate. Key economic indicators, interest rate and foreign exchange rate movements will continue to impact the performance of the real estate, banking, telecom, utilities, power and automotive groups, including the Company.

2.6 Any significant elements of income or loss that did not arise from the registrant's continuing operations

None

- 2.7 There were no material changes in estimates of amounts reported in prior interim period of the current financial year and interim period of the prior financial year, respectively.

None

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

Balance Sheet Items

As of March 31, 2016 (Unaudited) vs. December 31, 2015 (Audited)

Cash and cash equivalents – 5% decrease from ₱82,154 million to ₱78,438 million

This was due to lower funds of AC, AYC and ACIFL on settlement of loans and to ALI on account of additional investments in associates and joint ventures and capex funding partially offset by higher cash balance of MWCI coming from loan proceeds. This account is at 9% and 10% of the total assets as of March 31, 2016 and December 31, 2015, respectively.

Short-term investments – 46% decrease from ₱2,052 million to ₱1,118 million

Decline was due to maturity of short-term investments of AC, ALI and AYC. This account is at less than 1% of the total assets as of March 31, 2016 and December 31, 2015.

Accounts and notes receivable (current) – 24% increase from ₱82,596 million to ₱102,290 million

Increase attributable to ALI group's higher sales and additional advances to various contractors for new and existing projects (residential business group projects, e.g., subdivision, condominium, house and lot and office for sale; and improved performance of the hotels and resorts, malls and leasing business segments), IMI group's higher sales and Automotive group's increase in vehicle sales partially offset by AC's collection of dividend receivables. This account is at 12% and 10% of the total assets as of March 31, 2016 and December 31, 2015.

Inventories – 20% increase from ₱68,431 million to ₱82,080 million

Increase pertains to ALI group's higher completed inventories for new and existing residential projects, IMI and Automotive groups' additional inventories for new and existing product lines. This account is at 10% and 9% of the total assets as of March 31, 2016 and December 31, 2015, respectively.

Accounts and notes receivable (noncurrent) – 5% decrease from ₱41,793 million to ₱39,576 million

Decrease attributable to ALI group's reclassification to current account as it becomes due and demandable over period of one year. This account is at 5% of the total assets as of March 31, 2016 and December 31, 2015.

Investments in associates & joint ventures – 6% increase from ₱162,711 million to ₱172,995 million

Growth was attributable to additional investments of ALI (OCLP and Prow Holdings) plus share in net earnings from BPI and Globe; higher share in other comprehensive income items in BPI; plus share in earnings from operating investees of ACEHI group. This account is at 21% and 20% of the total assets as of March 31, 2016 and December 31, 2015, respectively.

Investment in bonds and other securities – 11% decrease from ₱3,738 million to ₱3,323 million

Decrease due fair value adjustments on investments held by subsidiaries. This account is less than 1% of the total assets as of March 31, 2016 and December 31, 2015.

Investment properties – 7% increase from ₱83,669 million to ₱89,781 million

ALI group's higher investment in various properties such as malls, office buildings and new land acquisitions drove the increase in this account. This account is at 11% of the total assets as of March 31, 2016 and December 31, 2015.

Property, plant and equipment – 6% increase from ₱39,644 million to ₱42,119 million

Increase coming from due to ACEHI's construction of power plants for GNP Kauswagan's coal investment and Monte Solar solar energy. This account is at 5% of the total assets as of March 31, 2016 and December 31, 2015, respectively.

Intangible assets – 11% decrease from ₱3,910 million to ₱3,494 million

Decrease attributed to IT & BPO group's lower intangible assets. This account is at less than 1% of the total assets as of March 31, 2016 and December 31, 2015.

Pension and other noncurrent assets - 12% increase from ₱14,291 million to ₱15,942 million

Increase as a result of ALI group's higher noncurrent pre-operating expenses, advances from customers and advance rentals. The account also includes the Group's pension asset which has no significant movement for the period.¹ This account is at 2% of the total assets as of March 31, 2016 and December 31, 2015.

Accounts payable and accrued expenses - 12% increase from ₱145,598 million to ₱163,133 million

Increase caused by higher trade payables and accruals of ALI group for its new and existing projects (development and project costs of the residential business group and contribution from the group's increase in accrued expenses, interest payable, taxes payable and higher payables to external suppliers/contractors due to the increased volume of construction projects)); IMI and Automotive groups higher sales; offset by AC's settlement of dividends payable. This account is at 33% and 31% of the total liabilities as of March 31, 2016 and December 31, 2015, respectively.

Short-term debt – 28% increase from ₱24,387 million to ₱31,206 million

Mainly due to loan of ALI group; offset by P8.0B settlement of ST debt of AC. This account is at 6% and 5% of the total liabilities as of March 31, 2016 and December 31, 2015, respectively.

Long-term debt (current) – 10% decrease from ₱28,154 million to ₱25,333 million

Decrease attributable to net settlement of loans of ALI, IMI and AYC groups. This account is at 4% and 6% of the total liabilities as of March 31, 2016 and December 31, 2015, respectively.

Service concession obligation (current) – 8% decrease from ₱1,256 million to ₱1,155 million

Decrease was due to MWCI's lower computed and actual obligation due within one year. This account is at less than 1% of the total liabilities as of March 31, 2016 and December 31, 2015.

Other current liabilities – 141% increase from ₱4,630 million to ₱11,170 million

Primarily due to ALI group's higher advances and deposits on residential projects. This account is at 1% and 2% of the total liabilities as of March 31, 2016 and December 31, 2015.

Long-term debt (noncurrent) – 7% increase from ₱210,800 million to ₱224,822 million

Due to P8.0B bond issuance of ALI parent plus net loan availment of ALI, MWCI and IMI groups. This account is at 45% of the total liabilities as of March 31, 2016 and December 31, 2015.

Other noncurrent liabilities – 20% decrease from ₱32,239 million to ₱25,948 million

Decrease significantly due to ALI group's reduction on security deposits and payables on land acquisitions. This account is at 5% and 7% of the total liabilities as of March 31, 2016 and December 31, 2015, respectively.

Cumulative translation adjustments - 153% decrease (decline) from positive ₱288 million to negative ₱153 million

Decrease due to downward impact of net foreign assets and liabilities plus slight appreciation of PhP vs US\$ (46.07 in March 2016 vs. 47.06 in December 2015).

Cost of share based payments – 41% decrease from ₱569 million to ₱333 million

Pertains to exercise of stock options of AC employees.

¹ 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.

Net unrealized gain on available-for-sale financial assets – 27% increase (improvement) from negative ₱554 million to negative ₱403 million

Pertains to increase in the market value of securities held by BPI group as available for sale financial assets partially offset by realized gain on one of the Company's investments which was then recognized in P&L.

Retained earnings – 5% increase from ₱124,468 million to ₱130,248 million

Represents share in Q1 2016 group net income.

Income Statement items

For the Year Ended March 31, 2016 (Unaudited) vs. March 31, 2015 (Unaudited)

Sale of goods and rendering services – 10% increase from a total of ₱41,051 million to ₱45,279 million

Growth in sale of goods came primarily from higher sales of Automotive group and IMI's growth in peso revenues resulting from better forex. Higher revenues from rendering of service resulted from ALI's overall growth significantly on construction segment and to MWCI's growth in billed volume partially offsetting by IMI's lower performance. As a percentage to total income, this account is at 87% and 86% in March 31, 2016 and 2015, respectively.

Share of profit of associates and joint ventures – 12% increase from ₱3,714 million to ₱4,154 million

Increase significantly from ACEHI's share in equity in net earnings of investees which commenced operation in later 2015. As a percentage to total income, this account is at 8% in March 31, 2016 and 2015.

Other income – 24% increase from ₱1,424 million to ₱1,771 million

Increase due to MWCI's higher rehabilitation works (including cost of permanent transfer of certain water rights) partially offset by lower AC's dividend income. This account is at 3% of the total income in March 31, 2016 and 2015.

Cost of sales and rendering services – 11% increase from ₱29,203 million to ₱32,460 million

Increase resulting from higher sales of ALI and Automotive groups. As a percentage to total costs and expenses, this account is at 80% and 79% in March 31, 2016 and 2015, respectively.

Other charges – 66% increase from ₱670 million to ₱1,110 million

Increase mainly on higher rehabilitation works costs of MWCI (including cost of permanent transfer of certain water rights). As a percentage to total costs and expenses, this account is at 3% and 2% in March 31, 2016 and 2015, respectively.

Income attributable to Owners of the parent – 15% increase from ₱5,044 million to ₱5,780 million

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

Income attributable to Non-controlling interests – 6% increase from ₱3,760 million to ₱3,975 million

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

2.9 Any seasonal aspects that had a material effect on the financial condition or results of operations.

Ayala Corporation being a holding company has no seasonal aspects that will have any material effect on its financial condition or operational results.

ALI's leasing portfolio generates a fairly stable stream of revenues throughout the year, with higher sales experienced in the fourth quarter from shopping centers due to holiday spending.

ALI's development operations do not show any seasonality. Projects are launched anytime of the year depending on several factors such as completion of plans and permits and appropriate timing in terms of market conditions and strategy. Development and construction work follow target completion dates committed at the time of project launch.

MWCI group does not have any significant seasonality or cyclicity in the interim operation, except for the usually higher demand during the months of April and May and in the months of November to December in the case of Globe group.

BPI, IMI and other subsidiaries of the Group do not have seasonal aspects that will have any material effect to their financials or operations.

3.0 Any material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

- a) On April 15, 2016, the Company announced that the leading European motorcycle manufacturer KTM AG (KTM) has appointed Ayala Automotive Holdings Corporation (Ayala Automotive), a wholly owned subsidiary of Ayala Corporation, as the exclusive distributor of KTM motorcycle models in the Philippines.

In addition, Ayala Automotive signed a shareholders' agreement with KTM AG (KTM) to establish a joint venture company in the Philippines that will develop, construct, own, and operate a manufacturing facility for motorcycle models under the KTM brand with an estimated annual production capacity of 20,000 units. The operation of the facility will be subcontracted to Integrated Micro-Electronics Inc.. A significant portion of the output will be exported to China, which has one of the largest motorcycle markets in the world and subsequently, to the Southeast Asian region.

On April 18, 2016, the Company clarified the news article titled, "Ayala set to manufacture KTM motorcycles in PH" posted in Inquirer.net on April 16, 2016, that the Company will take a 66% economic interest in the manufacturing of KTM motorcycles. Moreover, the capitalization of the venture is up to P500 million, to build up both a manufacturing facility with a capacity of up to 20,000 motorcycle units per year as well as local distribution operations.

- b) On April 12 2016, ALI's Board of Directors during its meeting approved the terms and conditions of the P7 Billion second tranche of the fixed rate bond series under the Corporation's P50 Billion Debt Securities Program as approved by the SEC in March 2016. The 9.5-yr Fixed Rate Bonds was priced at a rate of 4.75% per annum. The Fixed Rate Bonds was issued on April 25, 2016 and will mature in 2025.

3.1 Other material events or transactions during the interim period.

Refer to Notes 3 and 10 of the Notes to Unaudited Consolidated Financial Statements.

PART II – OTHER INFORMATION

The other major information about the Group are disclosed in the appropriate notes in the previously filed Audited Consolidated Financial Statements for December 31, 2015 or in the SEC 17A / SEC 17Q and SEC 17-C reports for 2015.

In addition, the Group has the following other major information:

1. On January 7, 2016, the Company, in compliance with the SEC Memorandum Circular No. 12, Series of 2014, submitted the Company's Consolidated Changes in the Annual Corporate Governance Report for the year 2015.

On March 17, 2016, the Company, in compliance with the SEC Memoranda 20, Series of 2013 and 1, Series of 2014 that their directors and key officers participated in the Ayala Corporate Governance and Risk Management Summit held on March 8, 2016 at the Fairmont Makati.

On April 4, 2016, the Company, in compliance with SEC Memoranda 1 and 12, Series of 2014, advised the changes made in the Annual Corporate Governance Report for 2015 forming part of the Annex of this SEC17A report.

On April 20, 2016, the Company, in compliance with the SEC Memoranda 20, Series of 2013 and 1, Series of 2014, submitted the copy of the certificate of attendance of Mr. Antonio Jose U. Periquet, one of the independent directors, who attended the Corporate Governance Seminar administered SGV & Co. held on April 11, 2016 at Turf Room B, Manila Polo Club, McKinley Room, Forbes Park, Makati City.

On April 25, 2016, the Company, in compliance with the SEC Memoranda 1 and 12, Series of 2014, filed the changes and updates made in the Annual Corporate Governance Report (ACGR). The updated ACGR may be accessed from the Company's website through the following link: <http://www.ayala.com.ph/governance/page/annual-corporate-governance-report>.

2. On January 19, 2016, the BOD at its regular meeting approved the following:
 - a. Amendment of the Fourth Article of our Articles of Incorporation to extend the corporate term for another 50 years from January 23, 2018.
 - b. The grant to the qualified executives, pursuant to the Company's Employee Stock Ownership Plan (the Plan), of stock options covering up to 550,043 common shares at a subscription price of P611.05 per share equivalent to the average closing price of the common shares at PSE for 20 consecutive days ending January 18, 2016, net of 15% discount. The grant of stock options was recommended by the Personnel and Compensation Committee pursuant to the Plan.
 - c. The promotion of Mr. Paolo Maximo F. Borromeo, Head of the Corporate Strategy Group, from Executive Director to Managing Director effective January 1, 2016.
3. On March 2, 2016, under the Company's Employee Stock Ownership Plan (refer to item no. 2.b. above), 27 grantees subscribed to 531,133 common shares at P611.05 per share equivalent to the average closing price, net of 15%, of the common shares for 20 consecutive trading days ending January 18, 2016.
4. On March 10, 2016, in a press statement, the Company announced its net income expanded 20 percent to P22.3 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.
5. On March 10, 2016, the BOD of the Company approved the application with the SEC of a shelf registration of P20.0 billion bonds (the "Bonds"). In addition to bilateral Peso facilities, the Bonds' proceeds, net of issue-related costs, will cover the Peso funding requirements up to 2019. The Bonds will be sold through general public offerings.

On March 14, 2016, the Company clarified the news article titled "Ayala Corp sets P20-B float" posted on Manila Bulletin (Internet Edition) on March 11, 2016. The Company confirmed that it is seeking the shelf registration of P20 billion worth of bonds with the SEC which it plans to issue with three years.

On May 11, 2016, the Company filed with the SEC today a shelf registration for bonds totaling P20 billion. This shelf registration will give the Company flexibility in issuing bonds when markets are conducive. The Company will have 3 years to issue bonds from this shelf registration. Part or P10 billion of this fund-raising activity is intended to refinance maturing debt.

6. On March 22, 2016, Philippine Rating Services Corporation (PhilRatings) maintained its Issue Credit Ratings of PRS Aaa for the following outstanding retail bonds of Ayala Corporation (Ayala):
 - a) P10 Billion Retail Bonds due on April 30, 2017;
 - b) P10 Billion Retail Bonds due on November 23, 2019;
 - c) P10 Billion Retail Bonds due on May 12, 2021; and
 - d) P10 Billion Retail Bonds due on May 11, 2027.
7. On April 15, 2016, at the annual meeting of the Company's stockholders, the following are the major items approved:
 - a. Approval of minutes of the annual stockholders' meeting held on April 10, 2015.
 - b. Approval of Corporation's Annual Report, which consists of the Chairman's Message, President's Report, and the audio-visual presentation to the stockholders, and to approve the consolidated audited financial statements of the Corporation and its subsidiaries as of December 31, 2015, as audited by the Corporation's external auditor SyCip Gorres Velayo & Co.
 - c. Ratification of the amendment of the Fourth Article of the Articles of Incorporation to extend the corporate term for 50 years from January 23 2018.
 - d. Election of the following as directors effective immediately and until their successors are elected and qualified:

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

Messrs. del Rosario, Jr., Loinaz and Periquet were elected as independent directors in accordance with the rules of the Securities and Exchange Commission on the requirements on nomination and election of independent directors. Mr. Amano has been elected as independent director pursuant to generally accepted principles of good corporate governance.

- e. Election of SyCip, Gorres, Velayo & Co. as the external auditors of our Company for the year 2016.

At its organizational meeting held immediately after the stockholders' meeting, our Board of Director elected the following:

- a. Board Committees and Memberships:

Executive Committee

Jaime Augusto Zobel de Ayala	Chairman
Fernando Zobel de Ayala	Member
Yoshio Amano (independent director)	Member

Audit Committee

Xavier P. Loinaz (independent director)	Chairman
Ramon R. del Rosario, Jr. (independent director)	Member
Yoshio Amano (independent director)	Member

Risk Management and Related Party Transactions Committee

Antonio Jose U. Periquet (independent director)	Chairman
Ramon R. del Rosario, Jr. (independent director)	Member
Yoshio Amano (independent director)	Member

Nomination Committee

Ramon R. del Rosario, Jr. (independent director)	Chairman
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Xavier P. Loinaz (independent director)	Member
Antonio Jose U. Periquet (independent director)	Member

Personnel and Compensation Committee

Ramon R. del Rosario, Jr. (independent director)	Chairman
Delfin L. Lazaro	Member
Yoshio Amano (independent director)	Member

Finance Committee

Delfin L. Lazaro	Chairman
Antonio Jose U. Periquet (independent director)	Member
Jaime Augusto Zobel de Ayala	Member
Fernando Zobel de Ayala	Member

Committee of Inspectors of Proxies and Ballots

Solomon M. Hermosura	Chairman
Catherine H. Ang	Member
Josephine G. De Asis	Member

b. Officers:

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
Cezar P. Consing	- Senior Managing Director
Bernard Vincent O. Dy	- Senior Managing Director
Arthur R. Tan	- Senior Managing Director
Alfredo I. Ayala	- Managing Director
John Eric T. Francia	- Managing Director
Solomon M. Hermosura	- Managing Director, General Counsel, Corporate Secretary, Compliance Officer & Corporate Governance Group Head
Jose Teodoro K. Limcaoco	- Managing Director, Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer, & Finance Group Head
Ruel T. Maranan	- Managing Director
John Philip S. Orbeta	- Managing Director & Corporate Resources Group Head
Paolo Maximo F. Borromeo	- Managing Director & Corporate Strategy and Development Group Head
Ma. Cecilia T. Cruzabra	- Executive Director & Treasurer
Josephine G. De Asis	- Executive Director & Controller
Catherine H. Ang	- Executive Director & Chief Internal Auditor
Dodjie D. Lagazo	- Assistant Corporate Secretary
Charlene Mae C. Tapic-Castro	- Assistant Corporate Secretary

c. Ayala Group of Companies Management Committee

Jaime Augusto Zobel de Ayala	- Chairman and Chief Executive Officer, Ayala Corporation
Fernando Zobel de Ayala	- Vice Chairman, President and Chief Operating Officer, Ayala Corporation
Gerardo C. Ablaza, Jr.	- President, Manila Water Company, Inc.
Alfredo I. Ayala	- President, Livelt Investments, Ltd.
Paolo Maximo F. Borromeo	- Corporate Strategy and Development Group Head, Ayala Corporation
Cezar P. Consing	- President, Bank of the Philippine Islands
Ernest Lawrence L. Cu	- President, Globe Telecom, Inc.
Bernard Vincent O. Dy	- President, Ayala Land, Inc.
John Eric T. Francia	- President, AC Energy Holdings, Inc. and President, AC Infrastructure Holdings Corporation
Jose Teodoro K. Limcaoco	- Chief Finance Officer, Chief Risk Officer, Chief Sustainability Officer & Finance Group Head, Ayala Corporation
Ruel T. Maranan	- President, Ayala Foundation, Inc.
Solomon M. Hermosura	- General Counsel, Corporate Secretary, Compliance Officer & Corporate Governance Group Head, Ayala Corporation

John Philip S. Orbeta	- Corporate Resources Group Head, Ayala Corporation & President, Ayala Automotive Holdings Corporation
Arthur R. Tan	- President, Integrated Micro-Electronics, Inc.

d. Ayala Corporation Management Committee

Jaime Augusto Zobel de Ayala
Fernando Zobel de Ayala
Gerardo C. Ablaza, Jr.
Paolo Maximo F. Borromeo
John Eric T. Francia
Solomon M. Hermosura
Jose Teodoro K. Limcaoco
John Philip S. Orbeta

8. At the annual stockholders' meeting held on April 15, 2016, Ayala Corporation Chairman and CEO Jaime Augusto Zobel de Ayala announced the group's five-year plan to increase its net income to P50B. Dubbed "Ayala 2020", the plan also seeks to improve shareholder return on common equity to 15%; expand equity earnings contribution of businesses outside its four largest business units to 20%; and increase the group's presence in Southeast Asia to 10% of equity earnings by 2020.

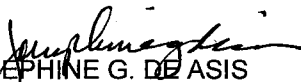
SIGNATURES

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

Registrant

AYALA CORPORATION

By:


JOSEPHINE G. DE ASIS
Authorized Signatory
Comptroller
Ayala Corporation

Date: May 13, 2016