

PSE Number: E-5000
SEC Number: 152-747
File Number: _____

AYALA LAND, INC.

(Company's Full Name)

c/o 30/F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 750-6974

(Telephone Number)

December 31, 2011

(Year Ending)

Annual Report - SEC Form 17-A

(Form Type)

(Amendments – if applicable)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SECTION 141 OF
CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended December 31, 2011
2. SEC Identification Number 152747 3. BIR Identification No. 000-153-790-000
4. Exact name of the issuer as specified in its charter: AYALA LAND, INC.
5. Province, Country or other jurisdiction of incorporation or organization:
Makati City, Philippines
6. Industry Classification Code: _____ (SEC Use Only)
7. Address of principal office: c/o 30/F, Tower One, Ayala Triangle, Ayala Avenue,
Makati City Postal code: 1226
8. Issuer's telephone number: (632) 750-6974
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:

As of December 31, 2011:

<u>Title of each class</u>	<u>Number of shares</u>
Common shares	13,043,159,782 (net of 79,528,228 Treasury shares)
Preferred shares	13,034,603,880

Amount of debt outstanding: P4.4 billion (registered bonds)

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

Name of Stock Exchange: Philippine Stock Exchange
Class of securities listed: Common stocks

12,992,914,629 common shares have been listed with the Philippine Stock Exchange as of December 31, 2011.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 preceeding 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

13. Aggregate market value of the voting stock held by non-affiliates:

P93 billion (as of end-2011); P127 billion (as of end-March 2012)

**APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes No **Not applicable**

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of the SEC Form 17-A into which the document is incorporated:

2011 Audited Consolidated Financial Statements (incorporated as reference for Items 5, 7, 10 & 12 of SEC Form 17-A)

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PART I - BUSINESS

Item 1. Business

Background

Ayala Land, Inc. (“ALI” or “the Company”) was organized in 1988 when Ayala Corporation decided to spin off its real estate division into an independent subsidiary to enhance management focus on its real estate business. ALI went public in July 1991 when its Class “B” Common shares were listed both in the Manila and Makati Stock Exchanges (the predecessors of the Philippine Stock Exchange - PSE). On September 12, 1997, the Securities and Exchange Commission (SEC) approved the declassification of the Company’s common class “A” and common class “B” shares into common shares.

Products / Business Lines

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

Property Development

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

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

Commercial Leasing

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

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

Hotels and Resorts

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

Resorts - development, operation and management of eco-resorts which are co-owned with partners

Services

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

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

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

Products / Business Lines (with 10% or more contribution to 2011 consolidated revenues):

Residential Development	54%
(high-end lots and units, leisure, upper mid-income housing, affordable and economic housing)	
Construction	12%
Shopping Centers	11%

Distribution Methods of Products

The Company's residential products are distributed to a wide range of clients through various sales groups.

Ayala Land (parent company) has its own in-house sales team. In addition, it has a wholly-owned subsidiary, Ayala Land Sales, Inc. ("ALSI"), which employs commission-based sales people. Ayala Land uses a sales force of about 7,800 brokers and sales agents guided by a strict Code of Ethics.

The overseas Filipino (OF) market is being pursued through award-winning websites, permanent sales offices or broker networks, and regular roadshows with strong follow-through marketing support in key cities abroad. Ayala Land International Sales, Inc. ("ALISI"), created in March 2005, led the marketing, sales and channel development activities and marketing initiatives of the three residential brands abroad. ALISI also signed up marketing partners in Bahrain, Saudi Arabia, London and Spain. Avida established representative offices in Rome and Milan in Italy and in Abu Dhabi. In addition, One Ayala program, which bundles the products and services of Ayala Land, the BPI and Globe Telecom, gives access to potential Ayala Land clients overseas, i.e. through BPI's 17 overseas offices and 81 tie-ups. In addition, the Ayala Land-BPI Dream Deals program aims to generate additional sales from local market.

Separate sales groups have also been formed for certain subsidiaries which cater to different market segments under Amaia (economic housing), Avida (affordable housing) and Alveo (middle-income housing). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers.

Effective second half of 2008, residential sales support transactions of ALP, Alveo, and Avida is being undertaken by the shared services company Amicassa Process Solutions, Inc. ("APSI") put up by the Company. Last year, Aprisa Business Solutions, Inc. (APRISA) completed its full roll-out to handle transactional accounting processes across the Ayala Land group.

Development of the business of the registrant and its key operating subsidiaries/affiliates during the past three years

Ayala Land, Inc. - parent company (incorporated in 1988), pursued major high-end residential land development and condominium projects, office buildings, leisure community project and shopping center operations. Its ongoing horizontal residential projects include, among others, Abrio, Santierra, Elaro, Ayala Westgrove Heights, Alegria Hills and Ayala Northpoint. Residential condominium projects undertaken in the past three years include Park Terraces, The Residences at Greenbelt and One Serendra. Shopping center operations at Ayala Center continued while the redevelopment of Glorietta is underway. Operation of traditional headquarter-type and BPO buildings continued as well as the development of its leisure community project, Anvaya Cove.

Property Development

Alveo Land Corp. (incorporated in 2002), 100% owned by Ayala Land, offers various residential products to the middle-income market. Alveo's projects over the past three years include Verdana Homes Mamplasan, MarQueen, Ametta Place, Treveia and Venare in NUVALI, Celadon Residences, Celadon Park, The Columns at Legazpi Village, Senta, Lerato, and Aston, Red Oak and Meranti in Bonifacio Global City.

Avida Land Corp. (incorporated in 1990), a wholly-owned subsidiary, continued to develop affordable housing projects which offer house-and lot packages and residential lots. Avida also ventured into the development and sale of farm/hacienda/commercial lots. Projects in the past three years include Avida Towers Sucat, Avida Towers New Manila, Avida Towers San Lazaro, Avida Towers Makati West, Avida Towers San Lorenzo, Avida Towers Global

City, Avida Towers Cebu, Avida Towers Alabang, Avida Towers Centera, Avida Estates NUVALI, Avida Settings NUVALI, Avida Village NUVALI, Avida Settings Cavite and Avida Residences San Fernando.

Amaia Land Corp. (formerly First Communities Realty, Inc., incorporated in 2000), wholly-owned subsidiary of Ayala Land, pursued a planned expansion of residential development operations catering to the country's economic housing segment. Project launches in the past three years include AmaiaScapes in Laguna, Cabanatuan and Northpoint, Amaia Skies in Cubao and Amaia Steps in Novaliches.

BellaVita Land Corp. (formerly South Maya Ventures Corp., incorporated in 1995), wholly-owned subsidiary of Ayala Land, aims to establish the country's first social enterprise community development targeting minimum wage earners and members of the informal business sector. Its first project in General Trias, Cavite was launched in December 2011.

Serendra, Inc. (incorporated in 1994), 28%-owned by ALI and 39%-owned by Alveo Land Corp., is engaged in residential development. In 2004, it launched Serendra, a residential complex at the Bonifacio Global City in Taguig.

Solinea (formerly Bigfoot Palms, Inc.), a landholding entity, was acquired on March 5, 2011 through Alveo Land Corporation through acquisition of 65% shares of stock. The remaining 35% was acquired by Cebu Holdings, Inc., an associate of Ayala Land.

Roxas Land Corp. (incorporated in 1996), 50% owned, sold-out One Roxas Triangle in 2007. The project was started in 1996 and was completed in September 2001.

Ayala Greenfield Development Corporation ("AGDC"), incorporated in 1997, 50-50% owned by Ayala Land and Greenfield Development Corporation, started development of Ayala Greenfield Estates in Calamba, Laguna in 1999. Over the past twelve years, AGDC continued to develop and sell lots in this high-end residential subdivision.

Nuevo Centro, Inc. (incorporated in 2011), a wholly-owned subsidiary of Ayala Land, was established primarily to acquire and hold real estate properties for the purpose of developing them into large-scale, mixed-used and masterplanned communities.

BG West Properties, Inc., BG South Properties, Inc. and BG North Properties, Inc. (incorporated in 2011), 50% owned, is engaged in the development of high-end, middle-end and affordable residential and retail projects, respectively, in Bonifacio Global City.

Ayala Land Sales, Inc. (incorporated in 2002), wholly-owned, continued to sell ALI's residential projects. ALSI employs commission-based brokers.

Ayala Land International Sales, Inc. (incorporated in 2005), wholly-owned, was formed to tap the overseas Filipino market, selling ALI's various residential projects.

Aurora Properties, Inc. (incorporated in 1992) and Vesta Property Holdings, Inc. (incorporated in 1993) are 70% owned by Ayala Land, while *Ceci Realty, Inc. (incorporated in 1974)* is 60% owned. These companies, joint ventures with the Yulo Family, continued to develop and sell residential and commercial lots in NUVALI in Canlubang, Laguna.

Emerging City Holdings, Inc. and Berkshires Holdings, Inc. (incorporated in 2003), both 50% owned, served as ALI's corporate vehicles in the acquisition of a controlling stake in Bonifacio Land Corp. / Fort Bonifacio Development Corp. ("FBDC") through Columbus Holdings, Inc. in 2003. FBDC continued to sell commercial lots at the Bonifacio Global City while it leased out retail spaces.

Regent Time International Limited (incorporated in 2003), 100% owned by ALI, also owns a stake at Bonifacio Land Corp. / Fort Bonifacio Development Corp.

Cebu Holdings, Inc. (incorporated in 1988), 47% owned by ALI, continued to manage and operate the Ayala Center Cebu and sell lots within the Cebu Business Park. The company also launched Amara, a high-end seaside residential subdivision, and continued to sell club shares at City Sports Club Cebu. Through *Cebu Property Ventures Development Corporation*, CHI also continued to sell lots at the Asiatown IT Park.

Commercial Leasing

NorthBeacon Commercial Corporation, formerly *Alabang Theatres Management Corporation* (incorporated in 1970), is ALI's wholly-owned vehicle for its MarQuee Mall in Pampanga which commenced development in March 2007 and began operations in September 2009.

Station Square East Commercial Corporation (incorporated in 1989), 69% owned subsidiary of ALI, broke ground in 2002 for Market! Market!, a 150,000-sqm mall along C-5 Road in Taguig. It opened Phase 1A of the mall in 2004 and Phase 1B in 2005.

Accendo Commercial Corp. (incorporated in 2008), 57% owned by ALI, is a joint venture company with the Anflo Group for the development of a mixed-use project in Davao City including Abreeza Mall.

Alabang Commercial Corp. (incorporated in 1978), 50% owned by ALI, continued to manage and operate the Alabang Town Center.

ALI-CII Development Corporation (incorporated in 1997), a 50-50% joint venture with Concepcion Industries, continued to operate Metro Point, a mid-market mall at the corner of EDSA and Taft Avenue, which was completed in the fourth quarter of 2001.

North Triangle Depot Commercial Corp. (incorporated in 2001), 49% owned by ALI, commenced development of TriNoma (formerly referred to as North Triangle Commercial Center), a 188,000-sqm mall constructed at the main depot of MRT-3 in Quezon City. TriNoma broke ground in June 2005 and began operations in May 2007.

Lagoon Development Corporation (incorporated in 1996), 30% owned by Ayala Land, is a joint venture company with Extraordinary Development Corporation. It continued to operate Pavilion Mall which is located in Biñan, Laguna.

Subic Bay Town Centre, Inc. (incorporated in 2010), 100% owned by Ayala Land, is tasked to plan, develop and eventually manage a mall in Subic Bay Freeport Zone.

Primavera Town Centre, Inc. (incorporated in 2009), is a 100% owned subsidiary that was formed to handle the planning, development and management of small-format retail facilities known as "neighborhood centers" within the Company's existing and planned growth centers across the country.

Ayala Theaters Management, Inc. (incorporated in 1984), 100% owned, continued to manage and operate theaters at the Ayala Center in Makati.

Five Star Cinema, Inc. (incorporated in 2000), also wholly-owned, continued to manage and operate theaters at the Alabang Town Center.

Food Court Company, Inc. (incorporated in 1997), a 100% owned subsidiary of ALI, continued to handle foodcourt operations such as Food Choices at the Glorietta 4.

Leisure and Allied Industries Phils., Inc. (incorporated in 1997), a 50-50% joint venture of ALI with Australian company, LAI Asia Pte. Ltd., continued to operate family entertainment centers called TimeZone in various Ayala malls, as well as other malls.

Cagayan De Oro Gateway Corp. (incorporated in 2010), 51% owned, was established to pursue a mixed-use development with a 47,000 sqm regional mall as its centerpiece. A 150-room boutique hotel shall be located on top

of the mall, while a single tower residential condominium with 21 floors and 522 rooms shall be located right beside the mall. The project is strategically located in the economic hub of Cagayan de Oro City.

Arvo Commercial Corporation (incorporated in 2011), a wholly owned subsidiary of the Ayala Land, was established primarily to develop and operate shopping malls within ALI-identified growth areas across the country.

Laguna Technopark, Inc. (incorporated in 1990), 75% owned, continued to sell industrial lots to local and foreign company locators. It also leases ready-built factory units within the Laguna Technopark.

ALI Property Partners Holdings Corp. (incorporated in 2006), is the Company's 80%-owned vehicle in partnership with MLT Investments (Goldman Sachs) which handle various BPO projects and investments.

Asian I-Office Properties, Inc. (incorporated in 2008), is the Company's 60%-owned vehicle that manages and operates two BPO buildings located in Asiatown IT Park in Cebu, namely eBloc and Peak Building A.

Gisborne Property Holdings, Inc., Sunnyfield E-Office Corporation, Asterion Technopod, Incorporated, Crestview E-Office Corporation, Summerhill E-Office Corporation and Hillsford Property Corp. (all incorporated in 2009), are wholly-owned entities established to handle, develop and manage all future BPO buildings located in various growth centers within the Philippines.

Hotels and Resorts

Ayala Hotels, Inc. (incorporated in 1991), 50% owned, currently manages hotel land lease operations.

AyalaLand Hotels and Resorts Corporation (incorporated in 2010), 100%-owned, serve as a holding company for the Company's hotels and resorts operations.

Greenhaven Property Venture, Inc. (incorporated in 2009), 100%-owned, was established to plan, develop and manage the hotel being constructed in Glorietta 1 as part of the Ayala Center redevelopment project.

Ten Knots Philippines, Inc. and Ten Knots Development Corp. (The Ten Knots Group), 60% owned by ALI in partnership with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group), is engaged in the development of parcels of land and islands into resorts in Palawan.

Services

Makati Development Corporation (incorporated in 1974), 100% owned by ALI, continued to engage in engineering, design and construction of horizontal and low-rise vertical developments. It continued to service site development requirements of Ayala-related projects while it provided services to third-parties in both private and public sectors.

Ayala Property Management Corp. (incorporated in 1957), wholly-owned by ALI, continued to manage properties of ALI and its subsidiaries. It also provides services to third-party clients.

Directpower Services, Inc., ((incorporated in 2011)), a wholly owned subsidiary of ALI, was formed to engage in the bulk purchase and supply of electricity and to introduce various energy solutions.

Philippine Integrated Energy Solutions, Inc. (incorporated in 2010), 60% owned by ALI, is engaged in the implementation of district cooling systems in large ALI mixed-use developments.

Bankruptcy, Receivership or Similar Proceedings

None for any of the subsidiaries and affiliates above.

Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three years

Since 2003, Ayala Land has implemented an asset rationalization program involving, among others, the sale of installment receivables and divestment of some non-core assets.

The Company divested of its ownership stake in ARCH Capital Management Co., Ltd. In March 2011 while there were no large sale transactions in 2010 and 2009.

Various diversification/ new product lines introduced by the company during the last three years

Economic Housing

In 2010, Ayala Land entered into the economic housing segment with the launch of AmaiaScapes in Laguna under the Company's subsidiary Amaia Land Corp. carrying the brand Amaia. This segment is expected to provide a steady end-user demand in the long-term as one-third of the estimated 18 million Filipino households and majority of the almost four million national housing backlog units belong to this segment.

Socialized Housing

In 2011, the Company's 5th residential brand BellaVita, which will cater to the socialized housing segment, launched its first residential subdivision project in a 13.6-hectare property in General Trias, Cavite. The site is highly accessible from different routes and is strategically located at the center of schools, places of work, public transportation terminals and commercial destinations.

Businessman's Hotels and Resorts

Ayala Land entered into eco-tourism via the partnership with the Ten Knots Group for a 60% stake in the world-famous El Nido Resorts in Palawan in 2010.

In addition, the Company broke ground in Bonifacio Global City and Davao City on its new businessman's hotel line that will cater to the increasing number of business travelers into the country.

Other Services

Philippine Integrated Energy Solutions, Inc. (Philenergy) began official operations with the construction two district cooling system (DCS) plants which will serve the needs of the Ayala Center redevelopment in Makati and the Alabang Town Center. The Company is currently planning other DCS projects in Cebu, Davao, Cagayan de Oro, and Quezon City and will also tap into the large domestic and even regional market of facilities that require energy-saving solutions.

Competition

Ayala Land is the only full-line real estate developer in the Philippines with a major presence in almost all sectors of the industry. Ayala Land believes that, at present, there is no other single property company that has a significant presence in all sectors of the property market. Ayala Land has different competitors in each of its principal business lines.

With respect to its mall business, Ayala Land's main competitor is SM Prime whose focus on mall operations gives SM Prime some edge over the Company in this line of business. Nevertheless, Ayala Land is able to effectively compete for tenants primarily based on its ability to attract customers -- which generally depends on the quality and location of its shopping centers, mix of tenants, reputation as a developer, rental rates and other charges.

For office rental properties, Ayala Land sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building), Robinsons Land (developer of Robinsons Summit Center) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). For BPO office buildings, Ayala Land competes with the likes of Megaworld and Robinsons Land. Ayala Land is able to effectively compete for tenants primarily based upon the quality and location of its buildings, reputation as a building owner, quality of support services provided by its property manager, rental and other charges.

With respect to residential lot and condominium sales, Ayala Land competes with developers such as Megaworld, DMCI Homes, Robinsons Land, and SM Development Corporation. Ayala Land is able to effectively compete for purchasers primarily on the basis of reputation, price, reliability, and the quality and location of the community in which the relevant site is located.

For the middle-income/affordable housing business, Ayala Land sees the likes of SM Development Corp, Megaworld, Filinvest Land and DMCI Homes as key competitors. Alveo and Avida are able to effectively compete for buyers based on quality and location of the project and availability of attractive in-house financing terms.

For the economic housing segment, Amaia competes with Camella Homes, DMCI Homes, Filinvest, Robinsons Land and SM Development Corporation.

Suppliers

The Company has a broad base of suppliers, both local and foreign. The Company is not dependent on one or a limited number of suppliers.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients. The Company does not have a customer that will account for twenty percent (20%) or more of its revenues.

Transactions with related parties

Please refer to Item 12 of this report (“Certain Relationships and Related Transactions”).

Licenses

Phenix Building System

A joint venture agreement between Maison Individuelles, S.A. (“MISA”) of France and Avida was organized in June 1998 and subsequently registered with the SEC as Laguna Phenix Structures Corporation (“LPSC”) in July 1999.

LPSC, a 50%-50% joint venture, is primarily engaged in the business of manufacturing, installation, erection and construction, marketing and promotion, and wholesaling of buildings, houses and other structures and accessories using the “Phenix” technology (for which a patent has been registered and issued in the Philippines under RP Patent No. 29862). Both MISA and Avida assigned their respective license rights to LPSC since the latter’s incorporation.

Government approvals/regulations

The Company secures various government approvals such as the ECC, development permits, license to sell, etc. as part of the normal course of its business.

Employees

Ayala Land - parent company has a total workforce of 495 regular employees (1,397 including manpower of wholly-owned subsidiaries) as of December 31, 2011.

The breakdown of the ALI - Parent Company employees according to type is as follows:

Executive	23
Managers	183
Supervisors	89
Rank and File	<u>200</u>
Total	495

ALI Parent has recently concluded negotiations with the union and inked a new three (3) year collective bargaining agreement, covering January 2012 to December 2014 that provides for salary increases based on performance. The company continues to nurture an open and cooperative relation with the union.

The Company has embarked on a robust leadership development and talent management program for leaders at the frontline, middle management and senior leaders. It has also implemented retention initiatives that has resulted in the lowest attrition levels and has strongly pushed for a strong performance management where all employees up to staff individual contributors have clear key result objectives and basis for performance assessments and feedback.

Risks

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

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

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

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

Shopping Center, Office Space and Land Rental

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

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

Hotel and Resort Operations

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

Construction

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

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

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

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

Working Capital

Ayala Land finances its working capital requirements through a combination of internally-generated cash, pre-selling, joint ventures and joint development agreements, borrowings and proceeds from the sale of non-core assets and installment receivables.

Domestic and Export Sales

Amounts of revenue, profitability, and identifiable assets attributable to domestic and foreign operations for 2011, 2010 and 2009 follow: (in P '000)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Consolidated revenues			
Domestic	44,205,533	37,813,499	30,455,244
Foreign	-	-	-
Net income (<i>Attributable to equity holders of ALI</i>)			
Domestic	7,140,308	5,458,134	4,039,256
Foreign	-	-	-
Total assets			
Domestic	154,619,179	121,675,262	107,741,848
Foreign	-	-	-

Item 2. Properties

Landbank / Properties with mortgage or lien

The following table provides summary information on ALI's landbank as of December 31, 2011. Properties are wholly-owned and free of lien unless noted.

<i>Location</i>	<i>Hectares</i>	<i>Primary land use</i>
Makati ¹	49	Commercial/Residential
Taguig ²	23	Commercial/Residential
Makati (outside CBD)	22	Commercial/Residential
Alabang ³	18	Commercial/Residential
Las Piñas/Paranaque	132	Commercial/Residential
Manila / Pasay ⁴	6	Commercial/Residential
Quezon City ⁵	116	Commercial/Residential
<i>Metro Manila</i>	<i>366</i>	
Canlubang ⁶	1,382	Commercial/Residential/Industrial
Laguna (ex-Canlubang) ⁷	525	Commercial/Residential/Industrial
Cavite ⁸	199	Commercial/Residential
Batangas/Rizal/Quezon ⁹	74	Commercial/Residential
<i>Calabarzon</i>	<i>2,180</i>	
<i>Bulacan/Pampanga</i> ¹⁰	<i>765</i>	Commercial/Residential
<i>Others in Luzon</i> ¹¹	<i>1,088</i>	Commercial/Residential
Bacolod/Negros Occidental ¹²	21	Commercial/Residential
Cebu ¹³	197	Commercial/Residential
Davao ¹⁴	70	Commercial/Residential
Cagayan De Oro ¹⁵	180	Commercial/Residential
Iloilo ¹⁶	18	
<i>Visayas/Mindanao</i>	<i>486</i>	
<i>TOTAL</i>	<i>4,885</i>	

¹ Makati includes sites of Mandarin Hotel (1.6 ha.) and Peninsula Hotel (2.0 ha.) which are 50% owned through Ayala Hotels, Inc., and remaining area at Roxas Triangle (0.3 ha.) which is 50% owned.

² Taguig includes 9.8 ha. site of Market! Market! under lease arrangement with BCDA; 0.6 ha. in Serendra which is under joint development agreement with the Bases Conversion and Development Authority ("BCDA"); 11.3 ha. in Taguig is owned through Fort Bonifacio Development Corporation.

For Market! Market!, the lease agreement with the BCDA covers a period of 25 years (renewable for another 25 years) and involves an upfront cash payment of ₱688 million and annual lease payments with fixed and variable components.

For Serendra, the joint development agreement with BCDA involves an upfront cash payment of ₱700 million plus a guaranteed revenue stream totaling ₱1.1 billion over an 8-year period, which ended on February 15, 2012.

³ Alabang pertains to the 17.6 ha. Alabang Town Center which is 50% owned through Alabang Commercial Corp. (ACC), 3.7 ha. of which is subject of a Mortgage Trust Indenture as security for ACC's short-term loans with Bank of the Philippine Islands.

⁴ Manila/Pasay includes 1.7 ha. which are under joint venture with Manila Jockey Club, Inc. and 0.3 ha. site of Metro Point which is 50% owned through ALI-CII Development Corp.

⁵ Quezon City includes 46.5 ha. under lease arrangement with University of the Philippines; the 13 ha. site of TriNoma which is 49% owned by ALI through North Triangle Depot Commercial Corp. is under lease arrangement with the Department of Transportation and Communication; a 9.9 ha. property under a joint development agreement and a 4.1 –ha. property being developed under a lease contract - both of which are with the Philippine Tuberculosis Society, Inc.; a 2.0 ha. property which is being leased from Ellimac Prime Holdings, Inc.; a 29.2 ha. property on a joint development agreement with the National Housing Authority and a 2.0 ha. property under lease agreement with MBS Development Corp.

⁶ Canlubang includes 1,062 ha. which are 70% owned through Aurora Properties, Inc. and Vesta Holdings, Inc.; also includes 253 ha. which are 65% owned through Ceci Realty, Inc.

⁷ Laguna (excluding Canlubang) includes 156 ha. which are under a 50-50% joint venture with Greenfield Development Corp.; 11.1 ha. in Laguna Technopark, Inc. which is 75% owned by Ayala Land; and 3.3 ha. site of Pavilion Mall which is under 25-year lease arrangement with Extra Ordinary Group, with an option to renew every 5 years thereafter.

⁸ Cavite includes 2.9 ha. in Riego de Dios Village which is under joint venture with the Armed Forces of the Philippines and a 5 ha. property being developed under a land lease agreement.

⁹ Batangas includes 7 ha. in Sto. Tomas project which is under an override arrangement.

¹⁰ Pampanga includes 540 ha. in Porac is 55% owned under Nuevo Centro.

¹¹ Other properties in Luzon includes 275.8 ha in Bataan pertaining to the Anvaya Cove property which is under joint development agreement with SUDECO, a 6.5 ha. property in Subic on lease agreement with Subic Bay Management Authority and a 19 ha. land lease with the government in Palawan.

¹² Bacolod includes 1.8 ha. in Ayala Northpoint which is under override arrangement.

¹³ Cebu includes about 10 ha. in Cebu Business Park (including Ayala Center Cebu) which is 47% owned through Cebu Holdings, Inc. (CHI); 0.62 ha. Cebu Insular Hotel site owned by Ayala Hotels, Inc. and Cebu Holdings, Inc.; 8 ha. in Asiatown IT Park which is owned by Cebu Property Ventures and Development Corporation which in turn is 76% owned by CHI; 7.3 ha. in Amara project, (66% owned by CHI) which is under joint venture with Coastal Highpoint Ventures, Inc.

8.84 ha. property (within the Cebu Business Park) which houses the Ayala Center Cebu is subject of a mortgage trust indenture securing term loan with Bank of the Philippine Islands.

0.62 ha. is subject of a mortgage trust indenture securing Cebu Insular Hotel Company Inc.'s term loan with Bank of the Philippine Islands, as of year-end 2011.

Also includes a 2.1 ha. property under a joint development agreement with Villareal Real Corp.

¹⁴ Davao includes a 9.6 ha. property which is 70% owned through Accendo Commercial Corp.

¹⁵ Cagayan de Oro includes 3.3 ha. which are 70% owned through Cagayan de Oro Gateway Corp. and 177 ha. which is under a JDA agreement with Promenade Land Holdings, Inc.

¹⁶ Includes a 2.0 ha. land lease for the Iloilo BPO property and a 16 ha. property owned through a JDA agreement

Rental Properties

The Company's properties for lease are largely shopping centers and office buildings. It also leases land, carparks and some residential units. In the year 2011, rental revenues from these properties accounted for ₱8.14 billion or 21% of Ayala Land's consolidated revenues. Lease terms vary depending on the type of property and tenant.

Property Acquisitions

With 4,885 hectares in its landbank as of December 31, 2011, Ayala Land believes that it has sufficient properties for development in the next twenty-five (25) years.

Nevertheless, the Company continues to seek new opportunities for additional, large-scale, master-planned developments in order to replenish its inventory and provide investors with an entry point into attractive long-term value propositions. The focus is on acquiring key sites in the Mega Manila area and other geographies with progressive economies that offer attractive potential and where projected value appreciation will be fastest.

In a disclosure to the SEC dated February 10, 2011, ALI was awarded by the Board of Regents of the University of the Philippines (U.P.) the lease contract for the development of a 7.4-hectare property at the U.P. Diliman East Campus, also known as U.P. Integrated School (UP-IS) property along Katipunan Avenue in Quezon City. The lease contract is for a period of 25 years, with an option to renew said lease for another 25 years by mutual agreement. The development of the site involves the construction of a retail establishment with 63,000 square meters of available GLA and a combination of headquarter-and-BPO office type building with an estimated 8,000 square meters of GLA.

In February 2011, the Company through wholly-owned subsidiary Alveo Land entered into an agreement with Philippine Racing Club, Inc. to jointly pursue the development of the 21-hectare property located in Barangay Carmona, Makati City, more commonly known as “Sta. Ana Racetrack.” The project is intended as a mixed-use development and will form part of the Company’s ongoing developments in the City of Makati.

Item 3. Legal Proceedings

As of December 31, 2011, ALI is not involved in any litigation it considers material. However, certain individuals and entities have claimed an interest in ALI’s properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale.

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

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

Item 4. Submission of Matters to a Vote of Security Holders

Except for the matters taken up during the Annual Meeting of Stockholders, there was no other matter submitted to a vote of security holders during the period covered by this report.

PART II – SECURITIES OF THE REGISTRANT

Item 5. Market for Issuer’s Common Equity and Related Stockholders Matters

Market Information

Ayala Land common shares are listed with the Philippine Stock Exchange.

	<i>Stock Prices (in Php/share)</i>					
	<u>High</u>		<u>Low</u>		<u>Close</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
First Quarter	16.38	13.50	13.80	10.00	15.50	13.00
Second Quarter	16.98	14.75	15.00	12.50	15.60	13.50
Third Quarter	17.10	18.70	13.50	13.25	14.58	17.60
Fourth Quarter	16.92	18.44	14.00	15.52	15.16	16.46

The market capitalization of ALI as of end-2011, based on the closing price of ₱15.16/share, was approximately ₱197.7 billion.

As of end-March 2012, ALI’s market capitalization stood at P271 billion based on the P20.75/share closing price.

Stockholders

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

Common Stockholders : There are approximately 10,495 holders of common shares of the Company as of January 31, 2012.

	Stockholder Name	No. of Common Shares	Percentage (of common shares)
1.	Ayala Corporation	6,934,509,515	53.1659%
2.	PCD Nominee Corp. (Non-Filipino)	4,988,237,976	38.2441%
3.	PCD Nominee Corp. (Filipino)	797,969,372	6.1179%
4.	ESOWN Administrator 2009	29,132,820	0.2234%
5.	ESOWN Administrator 2010	21,204,167	0.1626%
6.	ESOWN Administrator 2011	14,179,479	0.1087%
7.	Jose Luis Gerardo Yulo	11,453,030	0.0878%
8.	ESOWN Administrator 2006	9,266,917	0.0710%
9.	ESOWN Administrator 2005	8,811,307	0.0676%
10.	ESOWN Administrator 2008	6,140,420	0.0471%
11.	Estrellita B. Yulo	5,732,823	0.0440%
12.	Maria Alexandra Q. Caniza	4,531,026	0.0347%
13.	ESOWN Administrator 2007	4,089,678	0.0314%
14.	Pan Malayan Management and Investment Corp.	4,002,748	0.0307%
15.	Xavier P. Loinaz	3,993,681	0.0306%
16.	Ma. Angela Y. La O’	3,728,620	0.0286%
17.	Ma. Lourdes G. Latonio	3,624,650	0.0278%
18.	Lucio W. Yan	3,483,871	0.0267%
19.	Telengtan Brothers & Sons, Inc.	3,480,000	0.0267%
20.	Elvira L. Yulo	2,972,000	0.0228%

Preferred Stockholders: There are approximately 1,873 holders of preferred shares of the Company as of January 31, 2012.

	Stockholder Name	No. of Common Shares	Percentage (of preferred shares)
1.	Ayala Corporation	12,679,029,436	97.2721%
2.	Standard Chartered Bank on Behalf of UBS AG London A/C IPB Segregated Client A/C	69,046,020	0.5297%
3.	HSBC Manila OBO 000-081356-567	12,924,000	0.0992%
4.	HSBC Manila OBO 000-529701-550	12,440,440	0.0954%
5.	HSBC Manila OBO 000-102335-550	12,129,600	0.0930%
6.	DB MLA OBO SSBTC Fund 0IT1	11,528,247	0.0884%
7.	HSBC Manila OBO 000-042721-550	11,171,500	0.0857%
8.	DB MLA OBO SSBTC Fund C041	10,195,901	0.0782%
9.	DB MLA OBO SSBTC Fund C021	9,247,920	0.0709%
10.	HSBC Manila OBO 000-082560-550	8,696,372	0.0667%
11.	DB MLA OBO SSBTC Fund 0IT4	8,687,023	0.0666%
12.	HSBC Manila OBO A/C 026-106294-550	8,458,822	0.0649%
13.	SCB OBO RBC Dexia ISB JG MASF	6,844,440	0.0525%
14.	Investors Securities, Inc.	6,318,606	0.0485%
15.	Standard Chartered Bank on Behalf of UBS AG Ldn Asia Equity	5,963,600	0.0458%
16.	HSBC Manila OBO 000-009738-550	5,644,800	0.0433%
17.	SB Equities, Inc.	3,945,299	0.0303%
18.	HSBC Manila OBO 000-018242-550	3,579,214	0.0274%
19.	Asiasec Equities, Inc.	3,561,019	0.0273%
20.	DB Manila OBO SSBTC Fund 7798	3,396,000	0.0260%

Dividends

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.03	May 12, 2009	June 11, 2009	June 30, 2009
0.03	November 19, 2009	December 18, 2009	January 19, 2010
0.045	June 1, 2010	June 30, 2010	July 23, 2010
0.048	November 30, 2010	December 14, 2010	January 11, 2011
0.0733	Feb. 24, 2011	March 23, 2011	April 15, 2011
0.0733	Aug. 26, 2011	Sept. 20, 2011	Oct. 5, 2011
0.109488	February 20, 2012	March 7, 2012	March 27, 2012

Dividend policy

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

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

Cash dividends are subject to approval by the Company's Board of Directors but no stockholder approval is

required. Property dividends which may come in the form of additional shares of stock are subject to approval by both the Company's Board of Directors and the Company's stockholders. In addition, the payment of stock dividends is likewise subject to the approval of the SEC and PSE.

Recent Sale of Unregistered Securities

In 18 October 2007, the SEC approved the Company's application for an increase in authorized capital stock from ₱20B to ₱21.5B to cover the offering and issuance of new 13.034 Billion Preferred Shares to the common shareholders of the Company.

Stock Options

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

<u>Year</u>	<u>No. of Shares</u>	
	<u>ESOP</u> (exercised)	<u>ESOWN</u> (subscribed)
2009	1.8 Million	38.3 Million
2010	7.4 Million	25.2 Million
2011	3.2 Million	14.8 Million

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

Please refer to Note 29 ("Stock Options and Ownership Plans") of the Notes to Consolidated Financial Statements of the 2011 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

PART III – FINANCIAL INFORMATION

Item 6. Management’s Discussion and Analysis of Financial Condition and Results of Operation

Review of 2011 operations vs. 2010

Ayala Land, Inc. (“ALI” or “the Company”) posted a record consolidated net income of P8.09 billion for the year 2011, 29% higher than the P6.29 billion generated the previous year. Net of non-controlling interests, net income attributable to equity holders of Ayala Land, Inc. amounted to P7.14 billion, which was 31% higher than the P5.46 billion recorded in 2010. Consolidated revenues reached P44.21 billion, 17% higher year-on-year. Revenues from Real Estate and Hotels, which comprised bulk of consolidated revenues, increased by 16% to P41.23 billion with growth largely driven by the strong performance of the Property Development business.

Margins of the Company’s key business lines continued to improve with strict control of project costs and direct operating expenses (discussed below in the Business Segment review). Corporate costs have also been contained, resulting to the drop in the ratio of General and Administrative Expenses (GAE) to revenues, from 8.4% in 2010 to 7.9% in 2011. With total revenues growing faster than total expenses, net income margin improved to 16% in 2011 from 14% the previous year.

Business Segments

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

Property Development. Property Development, which includes the sale of residential units, as well as the sale of commercial and industrial lots, posted revenues of Php25.26 billion in 2011, 27% higher than the Php19.85 billion reported in 2010.

Revenues from the residential segment reached Php23.99 billion in 2011, 29% higher than the Php18.60 billion reported the previous year, driven by the higher bookings and steady progress on construction across all residential brands. Ayala Land Premier (ALP) generated Php9.51 billion in revenues or an improvement of 36% year-on-year on the back of a 35% growth in bookings and the construction progress in projects such as Park Terraces 1 and 2 in Makati City, and Santierra and Elaro in NUVALI. Alveo and Avida also posted year-on-year revenue growth of 15% and 44% to Php5.83 and Php6.06 billion, respectively, following the strong sales of newly-launched projects such as Sedona Parc (Cebu) and Venare (NUVALI) for Alveo, and Avida Towers Centera 1 and 2 (Mandaluyong City) and the second tower of Avida Towers Cebu. New residential brand Amaia further contributed to residential revenues in 2011 as it generated Php841 million largely from the full year impact of its maiden project AmaiaScapes Laguna.

Sales take-up value in 2011 reached Php51.72 billion, equivalent to an average monthly sales take-up of Php4.31 billion and 56% higher than the Php2.76 billion average monthly sales take-up achieved the previous year. Residential gross profit (GP) margins of vertical projects improved to 33% from 31% with the impact of various measures designed to lower project construction costs, while GP margins of horizontal developments declined slightly to 46% from 47% due to a shift in mix towards more house and lot packages rather than the sale of lots. The Company’s four residential brands, together with fifth brand Bella Vita that caters to the socialized housing segment, launched a total of 20,613 units in 2011. For 2012, the Company is anticipating continued demand for residential products and will be launching about 24,800 units across all residential brands.

Revenues from the sale of commercial and industrial lots grew by 2% in 2011 to Php1.27 billion, largely due to the sale of 14 commercial lots in NUVALI. GP margins improved to 54% from 45% as the NUVALI commercial lots carried higher margins compared to the industrial lots in Laguna Technopark that were sold in 2010.

Commercial Leasing. Commercial Leasing includes the Company’s Shopping Center and Office Leasing operations. Total revenues for Commercial Leasing amounted to Php7.46 billion in 2011, 16% higher than the Php6.45 billion recorded the previous year.

Revenues from Shopping Centers increased by 14% to Php4.96 billion in 2011, driven by higher average occupancy and lease rates. Average occupancy rate across all malls reached 96% compared with 94% in 2010. The opening of Abreeza Mall in Davao City and Solenad 2 in NUVALI, coupled with the continued improvements in the occupancy of Market! Market! and MarQueen Mall, resulted in a 9% expansion in occupied gross leasable area (GLA). This more than offset the additional closures in Glorietta effected in early 2011 due to the Ayala Center redevelopment. Average lease rates also rose in 2011 by 7% brought about by negotiated and programmed rental escalations. The retail environment remained buoyant as same-store sales for all building and land leases increased by 5% and 3%, respectively. The EBITDA margin of Shopping Centers improved to 60% from 59% the previous year with the higher occupancy and lease rates across all malls and effective management of direct operating expenses.

Revenues from Office leasing operations rose by 19% to Php2.50 billion in 2011 from Php2.11 billion the previous year. The revenue growth was generated by the significant increase in occupied GLA of business process outsourcing (BPO) office spaces, which increased by 22% year-on-year (equivalent to 41,220 square meters). Total available BPO GLA reached 315,736 square meters as of year-end, while average BPO lease rates remained steady at Php580 per square meter. This was achieved despite a change in the portfolio mix as most of the increase in occupied GLA occurred in provincial (and therefore lower rent) locations. The improvement in occupied BPO occupied space accounted for the one percentage-point improvement in the EBITDA margin of the total office portfolio, which reached 80% in 2011.

Hotels and Resorts. Revenues of the Company's Hotels and Resorts business improved by 18% to Php2.24 billion in 2011. This was largely due to the impact of the consolidation of the El Nido Resorts operations in Palawan, through the acquisition of a 60% stake in the Ten Knots Group in April 2010. A total of 150 island resort rooms in Lagen, Miniloc and Apulit Island (formerly Club Noah) were added to the Hotels and Resorts portfolio that operates 634 hotel rooms between Hotel InterContinental Manila and Cebu City Marriott. EBITDA margins for Hotels and Resorts however declined to 29% from 33% with the start-up costs of Apulit Island resort and the pre-operating expenses of the upcoming Kukun hotels. The Company is currently constructing its first four owner-operated businessman's hotels under its own brand Kukun in Bonifacio Global City, Cagayan de Oro, Davao and NUVALI. The first two hotels are expected to begin operations this year.

Services. Services, comprised of the Company's wholly-owned Construction and Property Management businesses, generated combined revenues (net of inter-company eliminations) of Php6.26 billion in 2011. This was 13% lower than the Php7.21 billion posted in 2010 following the Company's deliberate move to focus on internal projects in its construction operations. Only revenues from third-party contracts, or the revenue share of third-party minority interests in internal projects, are reflected as construction revenues in consolidated Company accounts. The decline in Construction revenues more than offset the 7% growth in Property Management revenues, which reached Php1.11 billion in 2011 with the addition of new carpark management contracts, compared with Php1.03 billion the previous year. Before inter-company eliminations, however, Construction revenues grew by 42% to Php13.77 billion. The blended EBITDA margin for Services improved by one percentage-point to 8%.

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

Equity in Net Earnings from Investees declined by 1% to Php899 million in 2011 from Php906 million the previous year, as a result of lower contribution from Fort Bonifacio Development Corporation with the deliberate slowdown in commercial lot sales at Bonifacio Global City. This was countered by the stronger performance of TriNoma, which is accounted for under the equity method, and the mark-to-market gains on the investment holdings of First Longfield Investments Ltd. (investment vehicle for ARCH Capital Partners L.P.). Interest, Investment and Other Income meanwhile increased by 38% to Php2.08 billion in 2011 compared with the Php1.50 billion the previous year. The increase was accounted for mostly by the higher interest income earned from higher average cash balances for the period and gains from the Company's divestment of its ownership stake in ARCH Capital Management Co., Ltd. in March 2011.

Expenses

Total expenses amounted to Php33.50 billion in 2011, 12% more than the Php29.95 billion incurred in the 2010. Cost of Sales from Real Estate and Hotels, which accounted for the bulk of expenses, rose 12% year-on-year amounting to Php27.94 billion. General and administrative expenses (GAE) meanwhile grew by 9% to Php3.48 billion, largely because of payroll-related expenses, but significantly slower than overall revenue growth thus allowing the GAE-to-revenue ratio to decline to 7.9% from 8.4% in 2010. Interest Expense, Financing and Other Charges increased by 14% year-on year to Php2.08 billion, mostly due to higher interest charges with the additional Php10.0 billion in fixed-rate corporate notes issued by the Company in January 2011. While total financing charges increased, the average cost of the Company's consolidated debt decreased to 6.3%, from 7.5% in 2010.

Project and Capital Expenditure

The Company spent a record high of Php29.91 billion for project and capital expenditures in 2011, 49% more than the Php20.06 billion spent the previous year. Residential development accounted for 53% of the total, while 18% was spent for land acquisition. Shopping centers, hotels and resorts, other land development activities and BPO offices accounted for the balance of 14%, 6%, 5% and 4%, respectively. For 2012, the Company has earmarked another Php37.0 billion for capital expenditures largely for the completion of ongoing developments, the launch of new residential and leasing projects, and the acquisition of new landbank which will help sustain the Company's growth trajectory over the coming years.

Financial Condition

The Company's balance sheet remained strong with sufficient capacity to carry out its aggressive growth plans in the following years. Strong cash inflows from the successful pre-sales of various residential launches as well as proceeds from the Php10.0 billion notes issued at the start of 2011 brought Cash and Cash Equivalents to Php24.60 billion, with a corresponding Current Ratio of 1.65: 1. Total Borrowings stood at Php34.53 billion as of December 2011 from Php20.97 billion the previous year, translating to a Debt-to-Equity Ratio of 0.55: 1 and a Net Debt-to-Equity Ratio of 0.16: 1.

The Company's balance sheet remained strong with sufficient capacity to carry out its aggressive growth plans in the following years. Strong cash inflows from the successful presales of various residential launches as well as proceeds from the P10.0 billion notes issued at the start of 2011 brought Cash and Cash Equivalents to P24.60 billion, with a corresponding Current Ratio of 1.65: 1. Total Borrowings stood at P34.53 billion as of December 2011 from P20.97 billion the previous year, translating to a Debt-to-Equity Ratio of 0.55: 1 and a Net Debt-to-Equity Ratio of 0.16: 1.

Retained earnings amounting to P6.0 billion was appropriated for future expansion (see Note 20 of AFS). In the normal course of business of ALI, that represents continuing appropriation for land banking activities and planned building construction project. Each year ALI incurred residential capital expenditures for property development which includes among others land banking and building construction projects. The annual appropriation by ALI is being fully utilized to cover part of the annual expenditure requirement of the Company. In 2012, it is expected that the capital expenditure requirement will exceed the P6.0 billion appropriation, hence the Company will provide future appropriation as the need arises.

As of December 31, 2011, retained earnings available for dividend declaration adjusted amounts to P19.2 billion as indicated in the reconciliation attached to the audited financial statements. Subsequently, the Company declared dividends at P0.109488 per common share on February 20, 2012, payable on March 27, 2012 to stockholders of common shares as of record date on March 7, 2012. This will reduce the retained earnings available for dividend declaration by P1.4 billion.

Key Financial Performance Indicators

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

	<i>End 2011</i>	<i>End 2010</i>
Current ratio ¹	<i>1.65:1</i>	<i>1.67:1</i>
Debt-to-equity ratio ²	<i>0.55:1</i>	<i>0.37:1</i>
Net debt(cash)-to-equity ratio ³	<i>0.16:1</i>	<i>0.02:1</i>
	<i>FY 2011</i>	<i>FY 2010</i>
Return on assets ⁴	<i>5.2%</i>	<i>4.7%</i>
Return on equity ⁵	<i>12.0%</i>	<i>10.0%</i>

¹ *Current assets / current liabilities*

² *Total interest-bearing debt (inclusive of bonds) / stockholders' equity*

³ *Interest-bearing debt less cash, cash equivalents & investment in government securities/stockholders' equity*

⁴ *Net income / average total assets*

⁵ *Net income / average stockholders' equity*

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2011.

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

Income Statement Items – 2011 versus 2010

16% increase in real estate revenues

Mainly due to higher residential sales bookings, incremental project completion and sale of commercial lots in NUVALI.

18% increase in hotel revenues

Primarily due to impact of full year consolidation of El Nido Resorts operations in Palawan.

56% increase in interest and investment income

Largely due to higher income from money market placements and divestment of ownership stake in ARCH Capital Management Co., Ltd.

12% increase in real estate cost and 15% increase in hotel expenses

Mainly due to higher real estate revenues and consolidation of El Nido Resorts operations.

9% increase in general and administrative expenses

Primarily due to higher payroll costs and benefits.

22% increase in interest and financing expenses

Mainly due to higher debt levels.

30% decrease in other charges

Mainly due to lower provisions for bad debts and impairment

67% increase in provision for income tax
Mainly due to higher taxable income.

15% increase in net income attributable to minority interests
Primarily due to higher income from Ayala Property Partners Corp., Ceci Realty, Inc. and Vesta Property Holdings, Inc.

Balance Sheet Items – 2011 versus 2010

37% increase in cash and cash equivalents
Mainly due to additional borrowings and collections from new projects.

87% decrease in short-term investments
Primarily due to liquidation of short-term investments to fund property acquisition.

100% decrease in financial assets at fair value through profit or loss Primarily due to maturity of fixed income securities.

31% increase in accounts and notes receivables (net)
Largely due to launch of new residential projects.

52% increase in real estate inventories
Mainly due to incremental project completion of existing and new projects.

49% increase in other current assets
Mainly due to higher prepaid expenses for commissions and marketing fees and increase in creditable withholding tax and value-added input tax following the acquisition of properties for development by Alveo Land and Avida Land.

50% increase in non-current accounts and notes receivables
Largely due to sale of new residential projects.

17% increase in land and improvements
Primarily due to acquisition of sites for new projects.

16% increase in investments in associates and jointly controlled entities
Mainly due to additional equity infusions in Regent Wise Investments Limited, First Longfield Investments and in newly established jointly controlled entities: BG West Properties, Inc., BG South Properties, Inc., and BG North Properties, Inc.

18% increase in investment properties (net)
Primarily due to completion of malls and office buildings.

29% increase in property and equipment
Largely due to purchases of AyalaLand Hotels and Resorts Corp., Phil. Energy and Accendo Commercial Corp., and modernization of Makati Development Corp.

6% decrease in deferred tax assets (net)
Mainly due to realization of gains on real estate sales.

12% increase in other non-current assets
Largely due to increase in construction guarantee and other deposits.

47% increase in accounts and other payables
Primarily due to increase in trade payables with the completion of new projects.

61% increase in short-term debt

Mainly due to additional bank loans of ALI Parent.

149% increase in income tax payable

Primarily due to higher provisioning of Vesta Property Holdings, Inc., ALI Property Partners Corp., and Alveo Land.

33% decrease in current portion of long-term debt

Largely due to loan payments of ALI Parent.

45% decrease in other current liabilities

Mainly due to lower customer deposits from residential projects.

80% increase in long-term debt - net of current portion

Primarily due to fixed-rate corporate notes issued by ALI Parent.

16% decrease in pension liabilities

Mainly due to adjustments made to reflect latest actuarial valuation.

25% increase in deferred tax liabilities (net)

Mainly due to increase in deferred tax liabilities of Serendra, ALI Parent and Alveo Land.

14% increase in deposits and other noncurrent liabilities

Mainly due to security deposits of new shopping center tenants

217% increase in deferred credits

Largely due to unearned rental revenues.

13% increase in retained earnings

Primarily due to the increase in net income.

15% increase in stock options outstanding

Largely due to revaluation of unsubscribed ESOWN shares.

33% increase in unrealized gain on available-for-sale financial assets

Mainly due to revaluation of fixed income securities.

12% increase in noncontrolling interests

Primarily due to capital infusions to Solinea Inc., Cagayan de Oro Gateway Corp. and Phil. Energy of respective partners.

Review of 2010 operations vs. 2009

Ayala Land, Inc. (“the Company”) posted a record Php5.5 billion in net income for the year 2010, 35% higher than the Php4.0 billion recorded the previous year. The Company’s net income of Php1.5 billion in the fourth quarter was also a new record for core quarterly earnings and was the 7th straight quarter of positive earnings growth.

Consolidated revenues in 2010 reached Php37.8 billion, 24% higher year-on-year. Real Estate and Hotel revenues increased by 27% to Php35.4 billion, with robust growth across all major business lines. Margins of the Company’s residential, shopping center and corporate businesses continued to improve. Corporate cost control has also been improving with the continued drop in the ratio of General and Administrative Expenses (GAE) to revenues, from 9% in 2009 to 8% in 2010. With total revenues growing faster than total expenses and the effective income tax rate steady at 20%, net income margin improved to 14% in 2010 from 13% the previous year.

Business Segments

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

Residential Development. Residential revenues reached Php16.6 billion in 2010, 16% higher than the Php14.3 billion reported the previous year, as the combined value of bookings for all residential brands more than doubled to Php24.0 billion. Ayala Land Premier (ALP) generated revenues of Php7.2 billion in 2010, up 10% year-on-year. ALP accounted for 43% of total residential revenues following the strong sales of Park Terraces (Makati) and Serendra West Tower (Bonifacio Global City) condominium units as well as Santierra lots in NUVALI. Alveo and Avida meanwhile also posted year-on-year revenue growth of 26% and 15%, respectively, with higher bookings from the success of new launches such as Meranti (Bonifacio Global City) and Venare (NUVALI) for Alveo and Avida Towers Cebu and Alabang for Avida. Together with newly launched fourth brand Amaia Land, the Company's four residential brands launched a total of 10,115 units in 2010, more than three times the number launched the previous year. This resulted in a strong sales take-up value of Php33.1 billion in 2010, averaging nearly Php2.8 billion of sales take-up every month. Residential Gross Profit (GP) margins of horizontal developments improved to 43% in 2010 from 41% the previous year, while GP margins of vertical projects improved to 28% from 26%. For 2011, the Company is anticipating continued demand for residential products and will be launching over 20,000 units across all residential brands with an estimated sales value of Php57.0 billion.

Shopping Centers. Total revenues for Shopping Centers amounted to Php4.6 billion in 2010, 3% higher than the previous year. This was driven by the 1% expansion in occupied gross leasable area (GLA) as the continued ramp-up of MarQueen Mall in Pampanga and the improved occupancy rate at Greenbelt 5 more than offset the closure of Glorietta 1. The retail environment remained buoyant as same-store sales for all building and land leases increased by 7% year-on-year. The revenue impact of the higher average occupancy rates (which reached 94% for all malls, from 92% in 2009) however was tempered by a 2% decline in average rental rates due to product mix with lower per square meter building lease rates in MarQueen Mall and Glorietta 5 compared with what was previously achieved in Glorietta 1. Shopping Centers earnings before interest, taxes, depreciation and amortization (EBITDA) margins improved slightly to 63% from 62% with an improved portfolio performance despite the continuing impact of the Ayala Center redevelopment. For 2011, the Company is set to start the operations of additional 126,000 square meters of GLA with the opening of Abreeza Mall in Davao and Harbor Point in Subic, among others. The Company will also launch a total of eight new projects across the country this year, adding another 174,000 square meters of GLA to the portfolio over the next few years.

Office Business. Revenues from the Company's office building portfolio reached Php2.4 billion in 2010, compared with Php2.0 billion the previous year. The 21% improvement in office building revenues was generated by the significant increase in occupied business process outsourcing (BPO) office GLA, which increased by 34% (equivalent to 48,725 square meters) year-on-year, as the outlook and demand for BPO space continue to improve. Total available BPO GLA has now reached 272,676 square meters with an occupancy rate of 70% (and an 88% lease-out rate) compared with 55% a year ago. Average BPO lease rates increased by 1% due to programmed escalations despite changes in the portfolio mix as most of the increase in occupancy in 2010 occurred in the Company's non-CBD locations, which carry lower average lease rates. The higher occupancy rate of the BPO portfolio mainly accounted for the improvement in EBITDA margins which increased from 62% to 68% in 2010. For 2011, the Company continues to see positive prospects for expansion within and outside Metro Manila and will begin the construction of additional 200,000 square meters of GLA. The Company will also start the operation of five new BPO buildings in 2011 in Baguio, NUVALI, Iloilo, Bacolod and Cebu totaling 55,000 square meters of GLA.

Strategic Landbank Management and Visayas-Mindanao. Revenues from the Strategic Landbank Management Group (SLMG) and the Visayas-Mindanao Group amounted to Php3.2 billion in 2010, 34% higher than the previous year, largely due to overrides on the successful sales performance of Park Terraces in Makati and Santierra in NUVALI, as well as some commercial lot sales in NUVALI. GP margins likewise improved to 56% from 48% with significant bookings in higher-margin override units.

Other Businesses. Other Businesses, namely Construction, Property Management, and Hotels and Resorts, generated combined revenues (net of inter-company eliminations) of Php8.9 billion in 2010, 79% higher than the Php5.0 billion posted the previous year. The improvement came largely from the higher completion of external

construction projects and improving hotel operations combined with the impact of the consolidation of the El Nido resort operations. Total EBITDA for Other Businesses in aggregate also improved by 5% to Php899 million but EBITDA margins went down by 10% compared with 17% in 2009. This was due to a decline in margins on external construction projects of Makati Development Corporation (MDC), lower margins for the El Nido resort operations and some start-up costs for new carparks being managed by Ayala Property Management Corporation.

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

Equity in Net Earnings from Investees declined by 6% to Php905.7 million in 2010 from Php968.0 million the previous year as a result of lower contribution from Fort Bonifacio Development Corporation with the deliberate slowdown in commercial lot sales at Bonifacio Global City. This offset the stronger performance of shopping center joint ventures accounted for under the equity method, particularly TriNoma and Alabang Town Center, and affiliate Cebu Holdings, Inc. which also saw an improvement in the performance of Ayala Center Cebu. Interest, Investment and Other Income likewise decreased by 14% to Php1.5 billion in 2010, compared with the Php1.7 billion the previous year due to lower interest rates on the Company's cash balances.

Expenses

Total expenses amounted to Php30.0 billion, 22% more than the Php24.6 billion spent in 2009. Cost of Sales from Real Estate and Hotels, which accounted for the bulk at Php25.0 billion, rose by 31% year-on-year largely because of higher construction activity on external MDC projects. General and Administrative Expenses (GAE) meanwhile grew by 14% to Php3.2 billion due to the donation of a parcel of land in NUVALI to Xavier School as part of the Company's priming efforts for the area. Despite this, the GAE-to-revenue ratio dropped to 8% from 9% last year due to effective corporate cost control measures. Meanwhile, Interest Expense and Other Financing Charges declined by 35% to Php1.8 billion due to the absence of provisions for impairment (which were recorded in 2009) as well as the lower average cost of debt on the Company's borrowings.

Project and Capital Expenditure

The Company spent a total of Php20.1 billion for project and capital expenditure in 2010, 24% more than the Php16.2 billion spent in 2009. Residential Development accounted for almost half of the total or 48%, while Hotels and Resorts spent another 14%. Strategic Landbank Management and the Visayas-Mindanao groups, Shopping Centers and Office Business accounted for the balance of 17%, 14% and 7%, respectively. For 2011, the Company has earmarked another Php32.6 billion for capital expenditure largely for the completion of ongoing developments, the launch of new residential and leasing projects, and the expected acquisition of new landbank which will help sustain the Company's strong growth trajectory over the coming years.

Financial Condition

The Company's balance sheet continued to be robust with strong cash inflows from the successful presales of various residential launches. Cash and Cash Equivalents stood at Php19.9 billion with a Current Ratio of 1.71: 1. Total Borrowings stood at Php21.0 billion from Php18.8 billion as of December 2009, translating to a Debt-to-Equity Ratio of 0.37: 1 and a Net Debt-to-Equity Ratio of 0.02: 1. This gives the Company significant capacity to take on additional borrowings to support its aggressive growth plans for the next few years. In January 2011, the Company raised Php10.0 billion through the issuance of fixed-rate corporate notes, consisting of Php5.7 billion in 5-year notes, Php3.3 billion in 10-year notes, and Php 1.0 billion in 15-year notes. This was notable in that it allowed the Company to take advantage of the attractive financing window and lower its borrowing cost and also because the 15-year tranche was the first such fixed-rate issue by a Philippine corporate and enables the Company to more effectively match the duration of its landbank assets with its financial liabilities.

Key Financial Performance Indicators

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

	<i>End 2010</i>	<i>End- 2009</i>
Current ratio ¹	1.71:1	1.95:1
Debt-to-equity ratio ²	0.37:1	0.36:1
Net debt(cash)-to-equity ratio ³	0.02:1	0.05:1
	<i>FY 2010</i>	<i>FY 2009</i>
Return on assets ⁴	4.7%	3.9%
Return on equity ⁵	10.0%	8.0%

¹ *Current assets / current liabilities*

² *Total interest-bearing debt (inclusive of bonds) / stockholders' equity*

³ *Interest-bearing debt less cash, cash equivalents & investment in government securities / stockholders' equity*

⁴ *Net income / average total assets*

⁵ *Net income / average stockholders' equity*

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

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created in 2010.

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

Income Statement items – 2010 versus 2009

27% increase in real estate revenues

Mainly due to higher sales from newly launched residential projects such as Park Terraces, Serendra West Tower and Santierra of Ayala Land Premier and Meranti of Alveo, and growth in Construction business.

33% increase in hotel revenues

Primarily due to higher occupancy and REVPAR at InterContinental Hotel Manila and Cebu City Marriott, and consolidation of El Nido resort operations.

5% decline in interest income

Mainly due to lower interest rates on money market placements.

6% decrease in equity in net earnings of associates and jointly controlled entities

Largely due to lower contribution from Fort Bonifacio Development Corporation despite of better performance of affiliate investments Cebu Holdings, Inc. and shopping center joint ventures accounted for under the equity method.

31% decline in other income

Mainly due to lower development management fees from third party projects.

31% increase in real estate costs and expenses

Mainly due to higher real estate revenues and construction activity on external Makati Development Corporation projects.

14% increase in general and administrative expenses

Primarily due to higher payroll costs and benefits.

14% increase in interest expense and other financing charges

Mainly due to new and additional loans.

43% increase in hotel and resort operation costs and expenses

Primarily due to higher hotel occupancy levels and consolidation of Ten Knots Group.

81% decrease in other charges

Largely due to absence of provision for impairment.

35% increase in provision for income tax

Mainly due to higher taxable income for the period.

29% increase in net income attributable to noncontrolling interests

Primarily due to higher income from NUVALI companies, ALI Property Partners Holdings Corp. (APPHC) and Leisure and Allied Industries Philippines, Inc.

Balance Sheet items – 2010 versus 2009

71% increase in cash and cash equivalents

Mainly due to liquidation of short term investments and fixed income securities, proceeds from pre-selling of residential products and Makati Development Corporation's (MDC) collection of downpayment from new projects.

69% decrease in short-term investments

Primarily due to maturity of short-term investments.

53% decrease in financial assets at fair value through profit or loss and available-for-sale financial assets

Mainly due to maturity of investments.

8% increase in accounts and notes receivables (net)

Largely due to launch of new projects and higher receivables of MDC from external contracts.

63% increase in real estate inventories

Mainly due to reclassification of NUVALI land from unsubdivided to saleable, and incremental project completion of existing and new projects.

18% increase in other current assets

Mainly due to MDC's prepaid expenses representing cost of materials, equipment rentals and salaries for new and existing projects, and prepaid taxes.

69% increase in non-current accounts and notes receivables

Largely due to trade receivables of Alveo Land Corp., Avida Land Corp. and Vesta Property Holdings, Inc.

7% decrease in land and improvements

Mainly due to reclassification of NUVALI land from unsubdivided to saleable.

6% increase in investment properties

Largely due to disbursements related to the construction of Abreeza Mall.

24% increase in property and equipment

Mainly due to consolidation of Ten Knots Group.

92% increase in deferred tax assets

Largely due to unrealized gain on real estate projects under construction.

46% increase in other noncurrent assets

Mainly due to increase in utility and other deposits.

34% increase in accounts and other payables

Primarily due to increase in trade payables with the completion of existing and new projects, and increase in accrued and taxes payable.

77% increase in short-term debt

Mainly due to new loan availment of ALI-parent, Avida, APPHC and Laguna Technopark, Inc.

68% decrease in income tax payable

Largely due to income tax payments made by Aurora Properties Inc. and Ceci Realty, Inc.

516% increase in current portion of long-term debt

Primarily due to reclassification of ALI-parent and APPHC loans payable from non-current to current.

6% decrease in other current liabilities

Mainly due to decrease in customer deposits.

6% decrease in long-term debt – net of current portion

Mainly due to reclassification of ALI-parent and APPHC loans from non-current to current, and loan pretermination of Enjay Hotels, Inc.

63% increase in pension liabilities

Primarily due to additional retirement contributions.

296% increase in deferred tax liabilities

Largely due to Serendra Inc. and consolidation of Ayala Hotels and Resorts Corporation.

12% decrease in deposits and other noncurrent liabilities

Primarily due to increase in customer and security deposits, and deferred interest income on ALI advances and unearned management fees.

47% increase in deferred credits

Largely due to unearned revenues and management fees.

12% increase in retained earnings

Mainly due to increase in income.

12% increase in stock options outstanding

Primarily due to new ESOWN shares granted in May 2010.

145% increase in unrealized gain on available-for-sale financial assets

Primarily due to revaluation of fixed income securities AFS, and investments in shares of Ayala Corporation and Alabang Country Club.

27% increase in noncontrolling interests in net assets of subsidiaries

Largely attributed to APPHC, Ceci Realty, Asian I-Office Properties, Inc. and Ten Knots Group.

Liquidity and Capital Resources – 2011

The Company sourced its capital requirements through a combination of internally generated cash, pre-selling and bank borrowings. Ayala Land's fundamentals remained unchanged and its balance sheet continued to reflect strength and stability.

Cashflow from existing operations and borrowings were used for ALI's (consolidated) project and capital expenditures aggregating P29.9billion. Cash and cash equivalents (including short-term investments) stood at P24.8 billion while current ratio was at 1.65:1.

Guided by prudent financing strategies, ALI kept its borrowings at low levels, placing bank debt-to-equity ratio at a low level of 0.55:1. Total borrowings registered at P34.5 billion, the bulk of which is long-term and peso-denominated.

Factors which may have material impact in Company’s operations

Economic factors

The economic situation in the Philippines significantly affects the performance of the Company’s businesses. For certain business lines, more particularly the residential products, the Company is sensitive to changes in domestic interest and inflation rates. Higher interest rates tend to discourage potential buyers of residential units as mortgages become unaffordable to them. An inflationary environment will adversely affect the Company, as well as the real estate industry, by increases in costs such as land acquisition, labor and materials. Although the Company may pass on the additional costs to buyers, there is no assurance that this will not significantly affect the Company’s sales.

Competition (Please refer to “Competition” section in Item 1.)

Project & Capital Expenditures (consolidated)

The Company’s consolidated project & capital expenditures for 2011 amounted to P29.9 billion, broken down as follows:

Residential	53%
Land acquisition and developement	23%
Shopping Centers	14%
Hotels and Resorts	6%
Offices	<u>4%</u>
	100%

For 2012, the Company budgeted P37.0 billion* for consolidated project and capital expenditures, broken down as follows:

Residential	56%
Shopping centers	13%
Land acquisition and developement	12%
Hotels and Resorts	12%
Offices	<u>4%</u>
	100%

** Project and capital expenditures will be funded from existing cash and cash from operations, pre-selling and additional borrowings; excludes capital expenditures of unconsolidated affiliates*

Item 7. Financial Statements

The 2011 consolidated financial statements of the Company are incorporated herein in the accompanying Index to Exhibits.

Foreign Exchange Gains/Losses

Net foreign exchange gains arising from foreign exchange transactions amounted to P12 million for the year ended December 31, 2011.

Interest and Other Charges

Interest and other charges in 2011 amounted to P1,880 million, breakdown of which is provided in Note 23 of the 2011 consolidated financial statements which is incorporated herein in the accompanying Index to Exhibits.

Receivables

Accounts and Notes receivable as of end-2011 amounted to P21,578 million, breakdown of which is provided in Note 7 of the 2011 consolidated financial statements.

Accounts and Other Payables

Accounts and Other Payables as of end-2011 amounted to P38,129 million, breakdown of which is provided in Note 16 of the 2011 consolidated financial statements.

General and Administrative Expenses

General and Administrative expenses in 2011 amounted to P3,480 million, breakdown of which is provided in Note 23 of the 2011 consolidated financial statements.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountants

In 2011, the principal accountants and external auditors of the Company is the accounting firm of SyCip, Gorres, Velayo & Company (SGV & Co.).

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

External Audit Fees and Services

Audit and Audit-Related Fees

Ayala Land and its subsidiaries paid its external auditors the following fees in the past two years: *(in P million; with VAT)*

	Audit & Audit-related Fees	Tax Fees	Other Fees
2011	11.9*	-	-
2010	10.3*	-	-

** Pertains to audit fees; no fees for other assurance and related services*

Tax Fees

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

Under paragraph D.3.1 of the ALI Audit and Risk Committee Charter, the Audit and Risk Committee (composed of Oscar S. Reyes, Chairman, Mercedita S. Nollado and Jaime C. Laya) recommends to the Board the appointment of the external auditor and the fixing of audit fees. The Board then recommends to the stockholders, for their approval, the said recommendation.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective January 1, 2011. Except as otherwise indicated, the adoption of the new and amended standards and interpretations did not have any significant impact on the Group's financial statements.

PAS 24 (Amended), *Related Party Disclosures*

The amendment clarified the definition of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

PAS 32, *Financial Instruments: Presentation (Amendment) - Classification of Rights Issues*

The amendment altered the definition of a financial liability in order to classify rights issues and certain options or warrants as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same

class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 14 (Amendment), *Prepayments of a Minimum Funding Requirement*

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010

PFRS 3, *Business Combinations*

This amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation* and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

It also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

The amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.

PFRS 7, *Financial Instruments: Disclosures*

This amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:

- a. Clarify that only financial asset whose carrying amounts do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
- b. Requires, for all financial assets, to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
- c. Remove the disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
- d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
- e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

PAS 1, Presentation of Financial Statements

This Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the consolidated financial statements.

PAS 27, Consolidated and Separate Financial Statements

This Amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.

Philippine Interpretation IFRIC 13, Customer Loyalty Programmes

This Amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant * (As of Dec. 31, 2011)

The write-ups below include positions currently held by the directors and executive officers, as well as positions held during the past five years.

Board of Directors **

Fernando Zobel de Ayala	Jaime C. Laya ***
Jaime Augusto Zobel de Ayala	Aurelio R. Montinola III
Antonino T. Aquino	Mercedita S. Nollo
Francis G. Estrada ***	Oscar S. Reyes ***
Delfin L. Lazaro	

Fernando Zobel de Ayala, Filipino, 51, has served as Chairman of the Board of ALI since 1999. He also holds the following positions: President and Chief Operating Officer of Ayala Corporation; Chairman of Manila Water Company, Inc., Alabang Commercial Corp., Ayala DBS Holdings, Inc., AC International Finance Limited and Ayala International Pte, Ltd.; Co-Vice Chairman of Ayala Foundation, Inc. and Mermac, Inc.; Board Member of Integrated Micro-Electronics, Inc., Globe Telecom, Inc., Bank of the Philippine Islands, Asiacom Philippines, Inc.; Member of The Asia Society, World Economic Forum, INSEAD East Asia Council and World Presidents' Organization; Vice Chairman of Habitat for Humanity International and the Chairman of the steering committee of Habitat for Humanity's Asia Pacific Capital Campaign; a member of the Board of Directors of Caritas Manila, Kapit Bisig para sa Ilog Pasig Advisory Board, Pilipinas Shell Corporation and Pilipinas Shell Foundation.

Jaime Augusto Zobel de Ayala, Filipino, 52, has served as a Director, Vice Chairman and member of the Executive Committee of ALI since 1988. He also holds the following positions: Chairman and CEO of Ayala Corporation; Chairman of Globe Telecom, Inc., Bank of the Philippine Islands, and Integrated Micro-Electronics, Inc.; Co-Vice Chairman of Mermac, Inc., and the Ayala Foundation, Inc.; Director of Manila Water Co., Inc., BPI PHILAM Life Assurance Corp., Alabang Commercial Corporation, and Ayala International Pte Ltd.; Chairman of Harvard Business School Asia-Pacific Advisory Board, World Wildlife Fund Philippine Advisory Council and Children's Hour Philippines, Inc.; Vice Chairman of the Asia Business Council; Co-Vice Chair of the Makati Business Club Member of Harvard University Asia Center Advisory Committee; Member of the Mitsubishi Corporation International Advisory Committee, JP Morgan International Council, The Asia Society, International Business Council of the World Economic Forum, Pacific Basin Economic Council, Philippine Economic Society and Toshiba International Advisory Group; and Member of the Board of Trustees of the Eisenhower Fellowships, and the Singapore Management University.

Antonino T. Aquino, Filipino, 64, has served as Director and President of ALI since April 2009. He also holds the following positions: Senior Managing Director of Ayala Corporation; Chairman of Alveo Land Corp., Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Ayala Hotels, Inc., Makati Development Corp., Ayala Property Management Corp., North Triangle Depot Commercial Corp. and Station Square East Commercial Corp.; President and Director Fort Bonifacio Development Corp., Alabang Commercial Corp., Accendo Commercial Corp., Aurora Properties, Inc., Ceci Realty, Inc. and Vesta Property Holdings, Inc.; Director of Manila Water Company, Inc.; and President of Hero Foundation and Bonifacio Arts Foundation, Inc. He also serves as a member of the board of various corporate social responsibility foundations such as Ayala Foundation, Inc., Manila Water Foundation, Inc., Makati Commercial Estate Association, Inc. and Makati Environment Foundation. He also served as President of Manila Water Company, Inc., and Ayala Property Management Corporation and a Business Unit Manager in IBM Philippines, Inc. He was named "Co-Management Man of the Year 2009" by the Management Association of the Philippines.

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

** Term of Office of the Members of the Board of Directors commence on the date of their election as Directors for a period of one year or until successors are elected or duly qualified.

*** Independent directors

Francis G. Estrada, Filipino, 62, has served as Independent Director of ALI since April 2008. His other significant positions are: Independent Director of Philamlife (Chairman of the Risk Management Committee and Member of the Investment and Audit Committees); Member of the Board of Advisers and Technology Committee of Rizal Commercial Banking Corporation; Chairman of the Board of Visitors of Philippine Military Academy; Vice-Chairman and Fellow of the Institute of Corporate Directors; Member of the National Mission Council (Chairman of the Investment Committee) of De La Salle Philippines; Director of De La Salle, Canlubang; Director of the Clean Air Initiative – Asia; Trustee of the Sociedad Espanola de Beneficiencia; Director of the Maximo T. Kalaw Foundation; member of the Management Association of the Philippines and American Chamber of Commerce; former Chairman of De La Salle University; former President of the Asian Institute of Management; Chairman and Founder of Equity Managers Asia, Inc. He was named "Most Outstanding Alumnus" of the Asian Institute of Management in 1989.

Delfin L. Lazaro, Filipino, 65, has served as member of the Board of ALI since 1996. He also holds the following positions: Chairman of Philwater Holdings Co., Inc., Atlas Fertilizer & Chemicals, Inc. and AYC Holdings, Ltd.; Chairman and President of Purefoods International, Ltd., and A.C.S. T. Business Holdings, Inc.; Director of Ayala Corporation, Globe Telecom, Inc., Integrated Micro-Electronics, Inc., Manila Water Co., Inc., AI North America, Inc., Ayala DBS Holdings, Inc., Probe Productions, Inc. and Empire Insurance Company. Formerly, he was the President and CEO of Benguet Corporation and Secretary of the Department of Energy of the Philippines. He was named Management Man of the Year 1999 by the Management Association of the Philippines for his contribution to the conceptualization and implementation of the Philippine Energy Development Plan and to the passage of the law creating the Department of Energy. He was also cited for stabilizing the power situation that helped the country achieve successively high growth levels up to the Asian crisis in 1997.

Jaime C. Laya, Filipino, 73, has served as an Independent Director of ALI since April 2010. He is the Chairman of the Board of Directors of Philippine Trust Company (Philtrust Bank). He is also: an Independent Director of GMA Network, Inc. and Philippine AXA Life Insurance Co., Inc.; and a regular director of Philippine Ratings Services Corporation; Trustee of De la Salle University-Taft, St. Paul's University - Quezon City, Cultural Center of the Philippines, Fundacion Santiago and Manila Polo Club. He has served as Minister of the Budget, Minister of Education, Culture and Sports, Governor of the Central Bank of the Philippines; Chairman of the National Commission for Culture and Arts; and Professor and Dean of Business Administration of the University of the Philippines.

Aurelio R. Montinola, III, Filipino, 60, has served as member of the Board of ALI since February 2005. He is the President and CEO of Bank of the Philippine Islands. His other affiliations, among others, include: Chairman of BPI Direct Savings Bank, Inc., BPI Computer Systems, Inc., BPI/MS Insurance Corp., BPI-Philam Life Assurance Corp., BPI Europe Plc., Amon Trading Corporation; Vice Chairman and President of the BPI Foundation, Inc.; Vice Chairman of the Asia/Pacific Regional Advisory Board of Mastercard Incorporated, Republic Cement Corp., LGU Guarantee Corp., Far Eastern University and Philippine Business for Education, Inc.; Director of the BPI Capital Corporation, BPI Family Savings Bank, Inc.; and Member of the Management Association of the Philippines; and Trustee of the Makati Business Club, and Ayala Foundation, Inc.

Mercedita S. Nolleddo, Filipino, 70, has served as Director of ALI since 1994. She currently holds the following positions: Senior Counsel of the Ayala Group of Companies; Chairman of BPI Investment Management, Inc. and FEB Management, Inc.; Director of Anvaya Cove Beach and Nature Club, Inc., AG Counselors Corporation, Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Ayala Automotive Holdings Corporation, Bank of the Philippine Islands, BPI Capital Corporation, and BPI Family Savings Bank; Member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc.; and President of Sonoma Properties, Inc. She also served as a Director of Ayala Corporation from 2004 to September 2010.

Oscar S. Reyes, Filipino, 65, has served as an Independent Director of ALI since April 2009. Among his other positions are: Chairman of MRL Gold Philippines, Inc. and Link Edge Inc.; Member of the Board of Bank of the Philippine Islands, Philippine Long Distance Telephone Company (Advisory Board), SMART Communications, Inc., Pepsi Cola Products Philippines, Inc., Sun Life Financial Plans Inc., Basic Energy Corporation, Alcorn Gold Resources Corporation and Manila Electric Company where he also serves as Chief Operating Officer. Prior to these posts, he served the Shell Group of Companies in the Philippines in various capacities, including Country

Chairman and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V. He is a member of the Board of Trustees of Pilipinas Shell Foundation Inc., SGV Foundation, and El Nido Foundation and One Meralco Foundation.

Resignation of Directors

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

Management Committee Members / Key Executive Officers

Antonino T. Aquino*	President and Chief Executive Officer
Bernard Vincent O. Dy	Executive Vice President
Vincent Y. Tan	Executive Vice President
Arturo G. Corpuz	Senior Vice President
Raul M. Irlanda	Senior Vice President
Jose Emmanuel H. Jalandoni	Senior Vice President
Emilio J. Tumbocon	Senior Vice President
Jaime E. Ysmael	Senior Vice President & Chief Finance Officer
Dante M. Abando	Vice President
Ruel C. Bautista	Vice President
Augusto D. Bengzon	Vice President & Treasurer
Aniceto V. Bisnar, Jr.	Vice President
Manuel A. Blas II	Vice President
Maria Corazon G. Dizon	Vice President
Anna Ma. Margarita B. Dy	Vice President
Steven J. Dy	Vice President
Michael Alexis C. Legaspi	Vice President
Joselito N. Luna	Vice President
Francis O. Monera	Vice President
Rosaleo M. Montenegro**	Vice President
Rodelito J. Ocampo	Vice President
Maria Teresa T. Ruiz	Vice President
Ma. Rowena Victoria M. Tomeldan	Vice President
Solomon M. Hermosura	Corporate Secretary
Sheila Marie U. Tan Assistant	Corporate Secretary

* *Member of the Board*

** *Retired on December 31, 2011*

Bernard Vincent O. Dy, Filipino, 48, is an Executive Vice President & member of the Management Committee of Ayala Land, Inc. since 2005. Currently, he is the Head of the Residential Business Group, Commercial Business Group and Corporate Marketing and Sales Group of ALI. His other significant positions include: Chairman of Ayala Land International Sales, Inc., Anvaya Cove Golf & Sports Club and Amicassa Process Solutions, Inc., Vice Chairman of Avida Land Corp. and Alveo Land Corporation, President of Serendra, Inc., Director of Fort Bonifacio Development Group, Ayala Land Sales, Inc., Bellavita Land Corporation, Amaia Land Corporation, North Triangle Depot Commercial Corporation, Alabang Commercial Corporation, Station Square East Commercial Corporation and Ayala Greenfield Golf & Leisure Club.

Vincent Y. Tan, Filipino, 61, is an Executive Vice President and Head of the Planning Group of ALI. He is a member of the Management Committee of ALI. His other positions include: Chairman and Director of Laguna Technopark, Inc. and Ecozone Power Management, Inc., Director of Ayala Greenfield Golf & Leisure Club, Inc., Ayala Property Partners Corporation, First Gateway Real Estate Corporation, Glensworth Development, Inc., One Dela Rosa Property Development, Inc., Gisborne Property, Inc.; UP North Property Holdings, Inc., Station Square East Commercial Corp.; North Triangle Depot Commercial Corporation, Metro Rail Transit Development Corporation and MRT Development Corporation.

Arturo G. Corpuz, Filipino, 56, is a Senior Vice President and member of the Management Committee of ALI since 2008. He heads the Urban and Regional Planning Division and the Central Land Acquisition Unit of ALI. He is a Trustee of the Makati Parking Authority and a member of the Board of Aurora Properties, Inc. and of Vesta Properties Holdings, Inc. He is a former President of the Philippine Economic Society and a Fellow of the Foundation for Economic Freedom and the Philippine Institute of Environmental Planning.

Raul M. Irlanda, Filipino, 56, is a Senior Vice President and a member of the Management Committee of ALI. He is the Chief Executive Officer of Ayala Property Management Corporation, Philippine Integrated Energy Solutions Inc. and DirectPower Inc., Board member of Makati Development Corporation and MDC BuildPlus Inc. He is also the Chairman of Technical Council Committee of ALI, Director of Tower One Condominium Corporation, and the first and only Filipino Certified Facility Manager (CFM) by the International Facility Management Association (IFMA); Governor of Makati Commercial Estate Association Inc. (MaCEA), Ayala Center Association and also the Group Head of Ayala Security Force.

Jose Emmanuel H. Jalandoni, CFA, Filipino, 44, is a Senior Vice President and member of the Management Committee of Ayala Land, Inc. He is the Group Head of ALI-Capital and Hotels Group. His significant positions include: President and CEO of Ayala Hotels, Inc. and Ayalaland Hotels and Resorts Corporation; Director of Ten Knots Philippines, Inc.; Chairman & Director of Cebu Insular Hotel Co. Inc. and Enjay Hotels, Inc. He is a member of the Investment Committee of Arch Capital Asian Partners, G.P. (Cayman) and KHI-ALI Manila, Inc. He joined ALI in 1996 and held various positions in the company.

Emilio J. Tumbocon, Filipino, 55, is a Senior Vice-President of Ayala Land, Inc., and a member of its Management Committee. He heads the ALI VisMin Group and concurrently Technical Services Director of Superblock Projects. His other significant positions are Director of the following companies: Cebu Holdings, Inc., Cebu Property Ventures Development Corporation, Cebu Insular Hotel Co., Inc., Asian-I Office Properties, Inc., Accendo Commercial Corporation, Cagayan de Oro Gateway Corp., Makati Development Corporation, MDC Buildplus, Inc., Ayala Property Management Corporation, Laguna Technopark, Inc., Anvaya Cove Golf & Sports Club, Inc., Direct Power Services, Inc., Philippine Integrated Energy Solutions, Inc., Ecozone Power Management, Inc., Northgate Hotel Ventures, Inc., North Triangle Hotel Ventures, Inc., Alabang Gateway Property Ventures, Inc., Bonifacio Hotel Ventures, Inc., Southcrest Hotel Ventures, Inc., and Crest View E-Office Corporation. He is a Member of the Construction Industry Arbitration Commission of the Department of Trade & Industry, Past President of the Philippine Constructors Association, Inc. (PCA) & a certified Project Management Professional (PMP) of the Project Management Institute.

Jaime E. Ysmael, Filipino, 51, is a Senior Vice President, Chief Finance Officer, Compliance Officer and member of the Management Committee of Ayala Land, Inc. Concurrently, he is a Managing Director of Ayala Corporation. His other significant positions include: Chairman of the Board of Directors of Aprisa Business Process Solutions, Inc.; Director and President of CMPI Holdings, Inc. and CMPI Land, Inc.; President of Tower One & Exchange Plaza Condominium Corporation; Director and Treasurer of Ayala Land International Sales, Inc., Ayala Land Sales, Inc., Alveo Land Corp., Laguna Technopark, Inc., Serendra, Inc., Ayala Hotels and Resorts Corporation and Anvaya Cove Beach & Nature Club, Inc.; Director, Treasurer and ExCom Member of Ayala Hotels, Inc., Enjay Hotels, Inc. and Cebu Holdings, Inc.; Director of Alabang Commercial Corp., Avida Land Corp., Cebu Insular Hotel Company, Inc., North Triangle Depot Commercial Corp., Station Square East Commercial Corp., Philippine Integrated Energy Solutions, Inc, Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Properties Holdings, Inc. Prior to his stint with ALI, he was Assistant Vice President at the Strategic Planning Group of Ayala Corporation.

Dante M. Abando, Filipino, 47, is a Vice President and Member of the Management Committee of ALI. He is concurrently President and a Member of the Board of Directors of Makati Development Corporation and MDC BuildPlus, Inc. His other significant positions include Director of Alveo Land, Ayala Property Management Corp., Avida Land, Corp., Serendra Inc. and President and Director of Anvaya Golf Club, Inc. Prior to joining ALI, he served as Manager of Philkoei International, Inc. and Construction Engineer for DM Consunji, Inc.

Ruel C. Bautista, Filipino, 56, is a Vice President of ALI. He is concurrently the Executive Vice President of Makati Development Corporation and Head of Construction Operations Group 1. Prior to joining ALI, he served in various project management and engineering capacities for other private institutions for close to 25 years.

Augusto D. Bengzon, Filipino, 48, joined ALI in December 2004 as Vice President and Treasurer. His other significant positions include: Treasurer of Avida Land Corporation, Makati Development Corp., Aurora Properties, Inc., Vesta Properties Holdings, Inc., CECI Realty, Inc and the HERO Foundation; Director of the Anvaya Cove Golf and Sports Club; and Trustee of the PNP Foundation, Inc. Prior to joining ALI, he was Vice President and Credit Officer at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Portfolio Management, Structuring, Debt Syndication and Relationship Management.

Aniceto V. Bisnar, Jr., Filipino, 47, is a Vice President of ALI and General Manager of NUVALI, Strategic Land Bank Management Group. His other significant positions include: Senior Vice President and General Manager of Ceci Realty, Inc., Aurora Properties, Inc. and Vesta Property Holdings, Inc.; General Manager of Ayala Greenfield Development Corporation; Chairman of Crimson Field Enterprises, Inc.; and Director of Red Creek Properties, Inc. He was formerly the Head of Commercial Operations of Fort Bonifacio Development Corporation which developed Bonifacio Global City, and was Director of Bonifacio Estates Services Corp., Bonifacio Water Corp., Bonifacio Transport Corp., Bonifacio Gas, Inc., Bonifacio Global City Estate Association, and Bonifacio Arts Foundation, Inc. He is a Board of Trustee of the HERO Foundation. He joined ALI in 1994 and occupied various positions covering land acquisition, planning & development and general management positions.

Manuel A. Blas II, Filipino, 56, is a Vice-President of Ayala Land Inc. and Head of Commercial Operations in Bonifacio Global City. He is also assigned as Managing Director of Bonifacio Arts Foundation Inc., spearheading the first world class science museum in the country to be called The Mind Museum.

Maria Corazon G. Dizon, Filipino, 48, is a Vice President and Head of Business Development and Strategic Planning of the Commercial Business Group, which consists of malls and office leasing developments. She also holds the following significant positions in the following companies: Director, MRT Development Corporation, North Triangle Depot Commercial Corporation, Accendo Commercial Corporation, CDO Gateway Corporation and Station Square East Commercial Corporation; Director and Chairman, Cavite Commercial Town Center, Fairview Prime Commercial Corp, Primavera Towncenter, Inc. Arvo Commercial Corporation and Subic Bay Town Center Inc. Over the years in ALI, she occupied various key positions that including Asset Management Head and Chief Finance Officer for the Ayala Malls Group, Head of Corporate Control and Analysis Division and Head of ALI Investor Relations Unit.

Anna Ma. Margarita B. Dy, Filipino, 42, is a Vice President and member of the Management Committee of Ayala Land, Inc. since August 2008. She is the Head of the Strategic Landbank Management Group (SLMG). Her other significant positions include: Director and Executive Vice President of Fort Bonifacio Development Corporation, Aurora Properties, Inc., Vesta Properties Holdings, Inc., and CECI Realty, Inc. Prior to joining ALI, she was a Vice President at Benpres Holdings Corporation.

Steven J. Dy, Filipino, 46, is a Vice President of ALI since December 2010 and is assigned to the international initiative of the company in China. Prior to this assignment, he was with the corporate business group for three years heading one of the project development groups and the business development. He had the same responsibilities when he was with Avida Land Corporation.

Michael Alexis C. Legaspi, Filipino, 53, is a Vice President of ALI and Chief Operating Officer of Ayala Hotels, Inc. & AyalaLand Hotels & Resorts Corp. He serves as the President of Enjay Hotels, Inc. and Cebu Insular Hotels Co. Inc. and is a Director of AyalaLand Hotels & Resorts Corp, KHI-ALI Manila, Inc., Greenhaven Property Ventures, Inc., Southcrest Hotel Ventures, Inc, Bonifacio Hotel Ventures, Inc., Northgate Hotel Ventures, Inc., Ten Knots Development Corp., Ten Knots Phils., Inc., Bacuit Bay Corp., and Chirica Resorts. He previously held the following positions: Head of Sales Division of ALI, Resident Manager of Oakwood Premier Ayala Center and Senior Vice President and Head of Operations of Ayala Property Management Corporation.

Joselito N. Luna, Filipino, 47 is a Vice President and member of the Management Committee since August 2008. He is also Ayala Land, Inc.'s Chief Architect and Head of Innovation and Design Group. His other significant positions include: Director of Vesta Properties Holdings, Inc., Aurora Properties, Inc. and Anvaya Cove Golf & Sports Club Inc.. He joined ALI in 1990 as a Registered Architect and Environmental Planner.

Francis O. Monera, Filipino, 57, is a Vice President of Ayala Land, Inc. He is currently the President of Cebu Holdings, Inc. (CHI) and Cebu Property Ventures & Development Corp. (CPVDC) He has served as a director of CHI and CPVDC since April 2006. Before joining ALI, he was the Senior AVP/Corporate Controller of Philippine National Construction Corporation. He served as President of the Cebu Chamber of Commerce and Industry from February 2006 to 2008. He is currently the Vice President for Visayas of Philippine Chamber of Commerce and Industry and Director of Mactan Cebu International Airport Authority.

Rosaleo M. Montenegro, Filipino, 52, was a Vice President of ALI. He was the President of Avida Land Corp.; Chairman and President of Buklod Bahayan Realty & Development Corp.; and Director of Avida Sales Corp., Amaia Land Corp. (formerly First Communities Realty, Inc.), Amicassa Process Solutions, Inc. and Ayala Land Sales, Inc.

Rodelito J. Ocampo, Filipino, 49, is a Vice President of ALI. He is currently Makati Development Corporation's Project Manager of Manila Extension Offices/Facilities (MNOX) Project of the US Embassy, US States Department. Before his MDC assignment, he served as Construction Management Director of Avida Land Corporation and Alveo Land Corporation, wholly owned subsidiaries of ALI and Construction Management Director of ALI's Residential Buildings Group. Prior to joining ALI, he was employed by a construction firm where he held various engineering and project management positions for a period of 10 years.

Maria Teresa T. Ruiz, Filipino, 57, is a Vice President and member of the Management Committee of ALI since October 2007. She serves as Head of the Human Resources and Public Affairs Group which covers External Affairs and Corporate Communications. She is a Director of Aprisa Business Process Solutions Inc. Prior to joining ALI, she served as head of the Human Resources, Organization Development, or Corporate Communications functions in Wyeth Philippines, Zuellig Pharma, Solid Cement, Coca Cola Bottlers and PLDT.

Maria Rowena Victoria M. Tomeldan, Filipino, 50, is a Vice President and Head, Operations and Support Services, Commercial Business Group. Her other significant positions include: Governor of the Ayala Center Association; Chairman of the Board of Directors of Ayala Theatres Management, Inc., Five Star Cinema, Inc. and Leisure and Allied Industries, Phils., Inc., and NorthBeacon Commercial Corporation; Director of ALI-CII Development Corporation, Bonifacio Global City Estate Association, and Alabang Commercial Corporation; Board member of Cagayan De Oro Gateway Corporation and Asian I-Office Properties Inc; President of Station Square East Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc, Subic Bay Town Centre Inc, MZM Holdings Inc, Studio Ventures Inc, Arvo Commercial Corporation, Cavite Commercial Town Center Inc, Ecozone Power Management Inc, ALI Property Partners Holdings Corporation, One Dela Rosa Property Development Inc, First Gateway Real Estate Inc, UP North Property Holdings Inc, Glensworth Development Inc, Gisborne Property Holdings Inc (Fairview Prime Commercial Corporation), Crestview E-Office Corporation (Westview Commercial Ventures Corporation), Sunnyfield E-Office Corporation, Asterion Technopod Inc, Summerhill E-Office Corporation and Hillsford Property Corporation; Vice President of Accendo Commercial Corporation. Presently, she is a member of the International Council of Shopping Centers (ICSC) Asia Advisory Council and the ICSC Asia Research Council.

Solomon M. Hermosura, Filipino, 49, has served as Corporate Secretary of the Company since April 2011. He is a Managing Director of Ayala Corporation and a member of its Management Committee (Holding Company). He is also the General Counsel, Compliance Officer, and Corporate Secretary of Ayala Corporation. He serves as Corporate Secretary of Globe Telecom, Inc., Manila Water Company, Inc., and Ayala Foundation, Inc.; and a member of the Board of Directors of a number of companies in the Ayala group. He was Corporate Secretary of Integrated Micro-Electronics, Inc. until June 7, 2011.

Sheila Marie U. Tan, Filipino, 44, is the Assistant Corporate Secretary of Ayala Land, Inc. Currently, she also holds the Position of Corporate Secretary of Integrated Micro-Electronics, Inc., Cebu Holdings, Inc., Cebu Property Ventures & Development Corp., Ayala Theatres Management, Inc. Avida Land Corporation, Alabang Commercial Corporation, North Triangle Depot Commercial Corporation, Laguna Technopark, Inc, Makati Development Corporation and Ayala Property Management Corporation. She is also the Assistant Corporate Secretary of Ayala Corporation. She was the former head of the Legal Department of Ayala Land, Inc. before she transferred to Ayala Corporation as Associate Director effective January 1, 2009.

Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

Family Relationships

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

Involvement in Certain Legal Proceedings (over the past 5 years)

None of the Directors or Executive Officers is involved in any material pending legal proceedings in any court or administrative agency of the government.

- a. None of them has been involved in any bankruptcy petition.
- b. None of them has been convicted by final judgment in a criminal proceeding or being subject to a pending criminal proceeding, both domestic and foreign.
- c. None of them has been subject to any order, judgment or decree of any court of competent jurisdiction (domestic or foreign) permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities.
- d. None of them has been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. Executive Compensation

Directors and Executive Officers

Directors. Article IV Section 17 of the Company's By-Laws provides:

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

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

During the 2011 annual stockholders' meeting, the stockholders ratified the resolution increasing the remuneration of non-executive directors as follows:

	<u>From</u>	<u>To</u>
Retainer Fee:	₱ 500,000.00	₱ 1,000,000.00
Board Meeting Fee per meeting attended:	₱ 100,000.00	₱ 200,000.00
Committee Meeting Fee per meeting attended:	₱ 20,000.00	₱ 100,000.00

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

Officers. The Company adopts a performance-based compensation scheme. The total annual compensation of the President and Management Committee members amounted to ₱177.25 million in 2010 and ₱241.42 million in 2011. The projected total annual compensation for the current year is ₱250 million.

Total compensation paid to all senior personnel from Manager and up amounted to ₱398.57 million in 2010 and ₱477.99 million in 2011. The projected total annual compensation for the current year is ₱506.66 million.

Name and Principal Position	Year	Salary	Other Variable Pay
Antonino T. Aquino* President & CEO			
Vincent Y. Tan Executive Vice President			
Bernard Vincent O. Dy Senior Vice President			
Raul M. Irlanda Senior Vice President			
Emilio J. Tumbocon Senior Vice President			
Jaime E. Ysmael Senior Vice President & CFO			
Dante M. Abando Vice President			
Arturo G. Corpuz Vice President			
Anna Ma. Margarita B. Dy Vice President			
Jose Emmanuel H. Jalandoni Vice President			
Joselito N. Luna Vice President			
Maria Teresa T. Ruiz Vice President			
CEO & Most Highly Compensated Executive Officers	Actual 2010 (restated)	₱149.75M	₱27.50M
	Actual 2011	₱148.70M	₱92.72M
	Projected 2012	₱158M	₱92M**
All other officers*** as a group unnamed	Actual 2010 (restated)	₱377.32M	₱21.25M
	Actual 2011	₱329.49M	₱148.50M
	Projected 2012	₱358.16M	₱148.50M**

* Compensation includes full year effect of CEO and market adjustments to selected officers for retention purposes

** Exclusive of Stock Option exercise

*** Managers and up

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

The total annual compensation includes the basic salary and other variable pay (performance bonus and exercise of Stock Option Plan).

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

Each executive officer executed an employment contract with the Company for an indefinite period (the terms and conditions of which are in accordance with existing laws) and is entitled to receive retirement benefits in accordance with the terms and conditions of the Company's BIR-registered Employees' Retirement Fund. There is no plan or arrangement by which the Executive Officers will receive from the Company any form of compensation in case of a change-in-control of the Company or change in the officers' responsibilities following such change-in-control.

Options Outstanding

The Company has to its officers since 1998 the options to acquire its common shares under its Executive Stock Option Plan (ESOP). Of the above named officers, there were 1.2 million options exercised in 2011 by the following officer, to wit:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at Date of Grant
Joselito N. Luna		Various	Various	Various
All above-named Officers as a group	1,204,061		₱4.35	₱5.70*

* Average prices on the dates of grant.

For other details on Stock Options, please refer to Note 29 ("Stock Options and Ownership Plans") of the Notes to Consolidated Financial Statements of the 2011 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(a) Security Ownership of Record and Beneficial Owners of more than 5% as of January 31, 2012.

Title of Class	Name, address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (of the Outstanding Common & Preferred Shares)
Common Preferred	Ayala Corporation ¹ 34/F Tower One Bldg. Ayala Ave., Makati City	Ayala Corporation ²	Filipino	6,934,509,515 12,679,029,436	26.59166% 48.62008%
Common	PCD Nominee Corporation (Non-Filipino) ³ G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Management Asia Limited ⁴	Singaporean	2,462,432,271	9.44265%
Common	PCD Nominee Corporation (Non-Filipino) ³ G/F MSE Bldg. Ayala Ave., Makati City	Aberdeen Asset Managers Limited ⁴	British	1,600,095,934	6.13586%

¹ Ayala Corporation ("AC") is the parent of the Company.

² As per By-laws and the Corporation Code, the AC Board has the power to decide how AC's shares are to be voted.

³ The PCD is not related to the Company.

⁴ Aberdeen Asset Management Asia Limited and Aberdeen Asset Managers Limited (collectively "Aberdeen") are the clients of a participant of PCD. Aberdeen has the power to decide how their shares in the Company are to be voted.

(b) Security Ownership of Directors and Management (Executive Officers) as of January 31, 2012.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent (of the Outstanding Common & Preferred Shares)
<i>Directors</i>				
Common	Fernando Zobel de Ayala	12,000 (direct)	Filipino	0.00005%
Common	Jaime Augusto Zobel de Ayala	12,000 (direct)	Filipino	0.00005%
Common	Antonino T. Aquino	16,344,044 (direct & indirect)	Filipino	0.06267%
Common	Mercedita S. Nolleddo	306,305 (direct & indirect)	Filipino	0.00014%
Common	Jaime C. Laya	10,000 (direct)	Filipino	0.00004%
Common	Oscar S. Reyes	231,601 (direct & indirect)	Filipino	0.00089%
Common	Delfin L. Lazaro	1 (direct)	Filipino	0.00000%
Common	Francis G. Estrada	1 (direct)	Filipino	0.00000%
Common	Aurelio R. Montinola III	3,579 (direct & indirect)	Filipino	0.00001%
<i>CEO and Most Highly Compensated Executive Officers</i>				
Common	Antonino T. Aquino	16,344,044 (direct & indirect)	Filipino	0.06267%
Common	Vincent Y. Tan	9,160,151 (indirect)	Filipino	0.03513%
Common	Bernard Vincent O. Dy	5,187,813 (indirect)	Filipino	0.01989%
Common	Arturo G. Corpuz	3,376,048 (direct & indirect)	Filipino	0.01295%
Common	Raul M. Irlanda	2,199,709 (indirect)	Filipino	0.00844%
Common	Jose Emmanuel H. Jalandoni	3,518,261 (indirect)	Filipino	0.01349%
Common	Emilio J. Tumbocon	8,282,485 (direct & indirect)	Filipino	0.03176%
Common	Jaime E. Ysmael	4,034,971 (direct & indirect)	Filipino	0.01547%
Common	Dante M. Abando	1,278,533 (direct & indirect)	Filipino	0.00490%
Common	Anna Ma. Margarita B. Dy	4,082,503 (indirect)	Filipino	0.01566%
Common	Joselito N. Luna	3,066,073 (direct & indirect)	Filipino	0.01176%
Common	Maria Teresa T. Ruiz	598,976 (indirect)	Filipino	0.00230%
<i>Other Executive Officers</i>				
Common	Solomon M. Hermosura	480 (direct)	Filipino	0.00000%
Common	Sheila Marie U. Tan	1,182,606 (direct & indirect)	Filipino	0.00453%
Common	Ruel C. Bautista	1,419,647 (direct & indirect)	Filipino	0.00544%
Common	Augusto D. Bengzon	1,346,764 (indirect)	Filipino	0.00516%
Common	Aniceto V. Bisnar, Jr.	605,676 (indirect)	Filipino	0.00232%
Common	Manny A. Blas II	1,610,587 (direct & indirect)	Filipino	0.00618%
Common	Ma. Corazon G. Dizon	1,417,329 (direct & indirect)	Filipino	0.00544%
Common	Steven J. Dy	1,548,336 (indirect)	Filipino	0.00594%
Common	Michael Alexis C. Legaspi	2,451,258 (direct & indirect)	Filipino	0.00940%
Common	Francis O. Monera	2,467,999 (direct & indirect)	Filipino	0.00946%
Common	Rosaleo M. Montenegro*	2,492,130 (direct & indirect)	Filipino	0.00956%
Common	Rodelito J. Ocampo	1,107,981 (direct & indirect)	Filipino	0.00425%
Common	Ma. Rowena Victoria M. Tomeldan	1,714,431 (direct & indirect)	Filipino	0.00657%
All Directors and Officers as a group		81,070,278		0.31088%

* Retired on December 31, 2011.

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

(c) Voting Trust Holders of 5% or more

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

(d) Changes in Control

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

Item 12. Certain Relationships and Related Transactions

Related Party Transactions

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

However, no other transaction, without proper disclosure, was undertaken by the Company in which any Director or Executive Officer, any nominee for election as director, any beneficial owner (direct or indirect) or any member of their immediate families was involved or had a direct or indirect material interest.

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

No single director or executive officer, nominee for election as director, or any member of their immediate family owns or holds more than 10% of the Company's voting shares.

The revenue from transactions with associates and other related parties amounted to P2,019 million in 2011.

There were no transactions with promoters in the past five years.

Please refer to Note 26 ("Related Party Transactions") of the Notes to Consolidated Financial Statements of the 2011 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

Parent Company / Major Holders

As of December 31, 2011, Ayala Corporation owned 6,929 million (53.18%) of total outstanding ALI common shares of 13,029 million, and 12,679 million (97.27%) of total outstanding preferred shares of 13,035 million.

Ayala Corporation's common and preferred shares account for 26.58% and 48.65%, respectively, of total outstanding shares of 26,064 million, while PCD Nominee Corporation (Non-Filipino) holds or owns 18.92%.

Ayala Corporation's principal parent company, Mermac, Inc. does not hold or own any share in the Company.

PART V – CORPORATE GOVERNANCE

Item 13. Compliance with leading practice on Corporate Governance

The evaluation system which was established to measure or determine the level of compliance of the Board and top level management with its Revised Manual of Corporate Governance consists of a Customer Satisfaction Survey which is filled up by the various functional groups indicating the compliance rating of certain institutional units and their activities. The evaluation process also includes a Board Performance Assessment which is accomplished by the Board indicating the compliance ratings. The above are submitted to the Compliance Officer who issues the required certificate of compliance with the Company's Revised Manual of Corporate Governance to the Securities and Exchange Commission.

To ensure good governance, the Board establishes the vision, strategic objectives, key policies, and procedures for the management of the company, as well as the mechanism for monitoring and evaluating Management's performance. The Board also ensures the presence and adequacy of internal control mechanisms for good governance.

There were no deviations from the Company's Revised Manual of Corporate Governance. The Company has adopted in the Manual of Corporate Governance the leading practices and principles of good corporate governance, and full compliance therewith has been made since the adoption of the Revised Manual.

The Company is taking further steps to enhance adherence to principles and practices of good corporate governance.

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits

The following exhibit is incorporated by reference in this report:

2011 Consolidated Financial Statements

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C

The following current reports have been reported by Ayala Land during the year 2011 through official disclosure letters dated:

January 19, 2011

ALI raised Php10 billion through an issuance of fixed-rate corporate notes consisting of Php5.7 billion in 5-year notes, Php3.3 billion in 10-year notes and Php1.0 billion in 15-year notes with interest rates of 5.625%, 6.875% and 7.500%, respectively.

February 10, 2011

ALI secured a 7.4-hectare property along Katipunan Avenue in Quezon City through a long-term lease with the University of the Philippines for a mixed-use retail and office development.

February 11, 2011

ALI submitted its unaudited financial results for the year ended December 31, 2011.

February 24, 2011

ALI declared a regular cash dividend of Php0.0733 per share to all shareholders as of record date March 23, 2011, payable on April 15, 2011.

February 24, 2011

The Board of Directors approved the issuance of the Ayala Land Homestarter Bond series 4, for up to Php2.016B.

February 25, 2011

Alveo Land signed a Memorandum of Agreement with the Philippine Racing Club, Inc. for the joint development of a 21-hectare property in Makati (former Sta. Ana racetrack).

March 4, 2011

ALI divested its 17% effective stake in ARCH Capital Management Co., Ltd and ARCH Capital Asian Partners, G.P.

April 25, 2011

Mr. Rex Ma. A. Mendoza resigned as Senior Vice President and Head of Corporate Marketing and Sales of ALI.

July 15, 2011

ALI was awarded by the Provincial Government of Negros Occidental of the right to purchase 3.66 hectares of the Provincial Capitol Property, and to lease the remaining 4.04 hectares for a period of 50 years.

August 26, 2011

The Company formed Bella Vita, the fifth residential brand that will engage in socialized housing developments, to be pursued via South Maya Ventures Corp. (SMVC).

August 26, 2011

ALI declared a regular cash dividend of Php0.0733 per share to all shareholders as of record date September 20, 2011, payable on October 5, 2011.

September 28, 2011

ALI declared the payment of the annual cash dividend of 4.64% per annum or Php0.00464 per share to all shareholders of the outstanding unlisted Preferred Shares with record date of October 3, 2011 and payment date of October 18, 2011.

October 26, 2011

ALI infused an additional Php3.5 billion to Amaia Land Corp. for its planned expansion program.

November 9, 2011

Bella Vita, the fifth residential brand, launched its first residential development in General Trias, Cavite.

November 23, 2011

ALI signed a 60%-40% joint-venture partnership with Mitsubishi Corporation for the operation of Philippine Integrated Energy Solutions, Inc. (PhilEnergy).

(c) Reports under SEC Form 17-C, as amended (during the last 6 months)

None.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on

APR 16 2012


By:



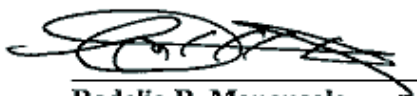
Antonino T. Aquino
 President / Chief Executive Officer



Solomon M. Hermosura
 Corporate Secretary



Jaime E. Ysmael
 Chief Finance Officer



Rodelio R. Manansala
 Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this APR 16 2012 affiants exhibiting to me their respective Passports, as follows:

<u>Names</u>	<u>Passport No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Antonino T. Aquino	XX4033426	June 25, 2009	Manila
Solomon M. Hermosura	EB 2913409	July 5, 2011	Manila
Jaime E. Ysmael	XX1502287	June 3, 2008	Manila
Rodelio R. Manansala	EBO361510	June 9, 2010	Manila



ARLENE S. BOBADILLA - MONTERO
 Notary Public - Makati City
 Appt. No. 457 until December 31, 2012
 Attorney's Roll No. 39682
 PTR No. 3178164MB; 01-03-2012; Makati City
 IBP Lifetime Roll No. 06250
 MCLB Compliance No. III - 0010299; 3-18-2010
 33rd Floor, Tower One & Exchange Plaza
 Ayala Triangle, Ayala Avenue
 Makati City, Philippines



Doc. No. 150
 Page No. 31
 Book No. 21
 Series of 2012.

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

AYALA LAND, INC.

**INDEX TO EXHIBITS
Form 17-A – Item 7**

No.

(3)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	n.a.
(5)	Instruments Defining the Rights of Security Holders, Including Indentures	n.a.
(8)	Voting Trust Agreement	n.a.
(9)	Material Contracts	n.a.
(10)	2011 Consolidated Financial Statements: Ayala Land, Inc. and Subsidiaries (with notarized Statement of Management Responsibility)	Attached
	2011 Financial Statements of “significant” subsidiaries/affiliates which are not consolidated	n.a.
(13)	Letter re: Change in Certifying Accountant	n.a.
(16)	Report Furnished to Security Holders	n.a.
(18)	Subsidiaries of the Registrant	48
(19)	Published Report Regarding Matters Submitted to Vote of Security Holders	n.a.
(20)	Consent of Experts and Independent Counsel	n.a.
(21)	Power of Attorney	n.a.
(29)	Additional Exhibits	n.a.

n.a. Not applicable or require no answer.

AYALA LAND, INC. - SUBSIDIARIES AND AFFILIATES
(As of December 31, 2011)

	Ownership (%)	
	By ALI	By the Subsidiary / Associate
Property Development		
Alveo Land Corporation	100.0	
Serendra, Inc.	28.0	39.0
Solinea, Inc. (formerly Bigfoot Palms, Inc.)		65.0
BG South Properties, Inc.		50.0
Amorsedia Development Corporation	100.0	
OLC Development Corporation		100.0
Ayala Greenfield Development Corp.		50.0
HLC Development Corporation		100.0
Allysonia International Ltd.		100.0
Avida Land Corp.	100.0	
Buklod Bahayan Realty and Development Corp.		100.0
Avida Sales Corp.		100.0
Avida Sales Corp., International		100.0
AyalaLand International Marketing Ltd.		100.0
Amicassa Process Solutions, Inc.		100.0
BG North Properties, Inc.		50.0
Amaia Land Co. (formerly First Realty Communities, Inc.)	100.0	
Ayala Land International Sales, Inc.	100.0	
Ayala Land Sales, Inc.	100.0	
BellaVita Land Corporation	100.0	
BG West Properties, Inc.	50.0	
Roxas Land Corporation	50.0	
Buendia Landholdings, Inc.	100.0	
Crans Montana Holdings, Inc.	100.0	
Crimson Field Enterprises, Inc.	100.0	
Ecoholdings Company, Inc.	100.0	
Red Creek Properties, Inc.	100.0	
Nuevo Centro, Inc.	100.0	
Regent Time International Limited	100.0	
Bonifacio Land Corporation ^(a)	5.3	4.8
Fort Bonifacio Development Corp ^(b)		55.0
Aurora Properties, Inc.	70.0	
Vesta Property Holdings, Inc.	70.0	
Ceci Realty, Inc.	60.0	
Emerging City Holdings, Inc.	50.0	
Columbus Holdings, Inc.		70.0
Bonifacio Land Corporation ^(a)	5.3	69.9
Fort Bonifacio Development Corp. ^(b)		55.0
Berkshires Holdings, Inc.	50.0	
Columbus Holdings, Inc.		30.0
Bonifacio Land Corporation ^(a)	5.3	69.9
Fort Bonifacio Development Corp. ^(b)		55.0
Cebu Holdings, Inc.	47.3	
Cebu Property Ventures Development Corp.	7.8	76.3
Asian I-Office Properties, Inc.		40.0
Cebu Leisure Company, Inc.		100.0
CBP Theatre Management Inc.		100.0

	Ownership (%)	
	By ALI	By the Subsidiary / Associate
Commercial Leasing		
Northbeacon Commercial Corporation	100.0	
Asterion Technopod, Inc.	100.0	
Crestview E-Office Corporation	100.0	
Gisborne Property Holdings, Inc.	100.0	
Hillsford Property Corporation	100.0	
Primavera Towncentre, Inc.	100.0	
Summerhill E-Office Corporation	100.0	
Sunnyfield E-Office Corporation	100.0	
Subic Bay Town Centre, Inc.	100.0	
AyalaLand Commercial REIT, Inc.	100.0	
Arvo Commercial Corporation	100.0	
ALI Property Partners Corp.	68.0	
One Dela Rosa Property Development, Inc.		100.0
First Gateway Real Estate Corp.		100.0
Glensworth Development, Inc.		100.0
UP North Property Holdings, Inc.		100.0
Laguna Technopark, Inc.	75.0	
Ecozone Power Management, Inc.		100.0
Station Square East Commercial Corporation	69.0	
Asian I-Office Properties, Inc.	60.0	
Accendo Commercial Corp.	67.0	
Cagayan de Oro Gateway Corp.	51.0	
Alabang Commercial Corporation	50.0	
South Innovative Theatre Management, Inc.		100.0
ALI-CII Development Corporation	50.0	
North Triangle Depot Commercial Corporation	49.3	
Lagoon Development Corporation	30.0	
Ayala Theatres Management, Inc.	100.0	
Five Star Cinema, Inc.	100.0	
Food Court Company, Inc.	100.0	
Leisure and Allied Industries Philippines, Inc.	50.0	
Hotels and Resorts		
Ayala Hotels, Inc.	50.0	
AyalaLand Hotels and Resorts Corporation	100.0	
Enjoy Hotels, Inc.		100.0
Cebu Insular Hotel Company, Inc.		62.9
Greenhaven Property Venture, Inc.		100.0
Bonifacio Hotel Ventures, Inc.		100.0
Southcrest Hotel Ventures, Inc.		67.0
Northgate Hotel Ventures, Inc.		70.0
North Triangle Hotel Ventures, Inc.		100.0
Ecosouth Hotel Ventures, Inc.		100.0
Ten Knots Phils, Inc.	60.0	
Ten Knots Development, Corp.	60.0	

	Ownership (%)	
	By ALI	By the Subsidiary / Associate
Services		
Makati Development Corporation	100.0	
Makati Development Corp. – First Balfour, Inc.		51.0
Makati Development Corp. – Subic		100.0
Ayala Property Management Corporation	100.0	
Directpower Services, Inc.	100.0	
Philippine Integrated Energy Solutions, Inc.	60.0	
Others		
Aprisa Business Process Solutions, Inc.	100.0	
First Longfield Investments Limited	100.0	
Green Horizons Holdings Limited		100.0
ARCH Capital Asian Partners, L.P.		8.0
Regent Wise Investments Limited	100.0	
Tianjin Eco-City Ayala Land Development Co., Ltd.		40.0
MZM Holdings, Inc.	100.0	
Studio Ventures, Inc.	100.0	
ALInet.com, Inc.	100.0	
CMPI Holdings, Inc.	60.0	
CMPI Land, Inc.		60.0
KHI-ALI Manila, Inc.	60.0	
KHI Manila Property, Inc.	20.0	

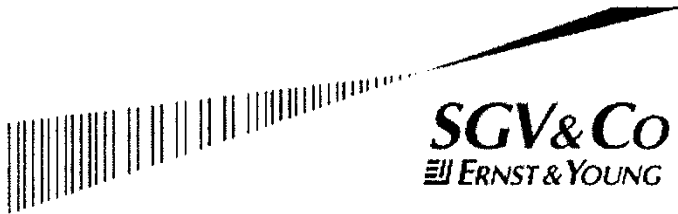
^(a) ALI's effective ownership in Bonifacio Land Corporation is 45.05%

^(b) ALI's effective ownership in Fort Bonifacio Development Corporation is 24.78%

AYALA LAND, INC.

**INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7**

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
January 25, 2010, valid until December 31, 2012
SEC Accreditation No. 0012-FR-2 (Group A),
February 4, 2010, valid until February 3, 2013

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Ayala Land, Inc.
Tower One, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ayala Land, Inc. and its subsidiaries as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, included in this Form 17-A, and have issued our report thereon dated February 20, 2012. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules^A are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

^AThese schedules may include any of the following, as applicable:

- Supplementary schedules required by Annex 68-E
- Schedule of all the effective standards and interpretations (Part 1, 4J)
- Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)
- Map of the relationships of the companies within the group (Part 1, 4H)

SYCIP GORRES VELAYO & CO.

Jessie D. Cabaluna

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-AR-2 (Group A),
February 11, 2010, valid until February 10, 2013
Tax Identification No. 102-082-365
BIR Accreditation No. 08-001998-10-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174583, January 2, 2012, Makati City

February 20, 2012



AYALA LAND INC., AND SUBSIDIARIES
SCHEDULE A - Financial Assets
As of December 31, 2011

NAME OF ISSUING ENTITY AND ASSOCIATION OF EACH ISSUE	NUMBER OF SHARE OR PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET	INCOME RECEIVED & ACCRUED
Loans and Receivables			
A. Cash Equivalents 1/			
BPI			
Special Savings Account		4,883,003,821	292,918,739
Time Deposits		6,147,654,649	149,706,960
Others		1,162,072,452	157,019,001
Others Banks			
Special Savings Account		4,321,992,613	113,273,928
Time Deposits		408,174,070	12,409,853
Others		2,598,495,036	139,563,004
B. Accounts and notes receivable			
Trade		18,674,260,849	315,557,703
Investment in bonds classified as loans and receivables 2/		200,000,000	14,259,147
C. Financial Assets at FVPL (Not Applicable)			
D. AFS Financial assets 3/		710,442,469	20,983,078
		39,106,095,958	1,215,691,413

1/ Cash equivalents are short term, highly liquid investments that are made for varying period of up to three (3) months depending on the immediate cash requirements of the group and earn interest at the respective short term rates.

2/ Investment in bonds classified as loans and receivables pertain to the Company's investment in Land Bank of the Philippines (LBP) 7% unsecured subordinated notes due 2019, callable with step-up interest in 2014.

3/ AFS includes investment in both quoted and unquoted shares of stocks and Treasury Bonds with interest ranging from 6.25-8.75% .

AYALA LAND INC., AND SUBSIDIARIES
SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
As of December 31, 2011

NAME	BEGINNING BALANCE	ADDITIONS	DEDUCTIONS	ENDING BALANCE		TOTAL
				CURRENT	NON-CURRENT	
Employees						
Notes Receivable	373,321,830	350,857,060	434,521,285	217,894,534	71,763,071	289,657,606
Accounts Receivable	379,227,560	215,687,340	453,057,453	141,696,740	160,707	141,857,447
	752,549,390	566,544,400	887,578,737	359,591,274	71,923,778	431,515,053

AYALA LAND INC. AND SUBSIDIARIES

Schedule C - Accounts Receivable from Related Parties which are eliminated during the Consolidation Period

As of December 31, 2011

Amount Owed by Ayala Land, Inc. (ALI) Subsidiaries to ALI Parent				
	Receivable Balance per ALI Parent	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Accendo Commercial Corp. (Accendo)	66,414,638	66,414,638	66,414,638	
ALI Property Partners Corp. (APPCo)	175,085,938	175,085,938	175,085,938	
ALI-CII Development Corporation (ALI-CII)	1,613,404	1,613,404	1,613,404	
Alveo Land Corporation	412,439,878	412,439,878	412,439,878	
Amaia Land Co. (Amaia) (formerly First Realty Communities, Inc.)	102,830,699	102,830,699	102,830,699	
Amorsedia Development Corporation and Subsidiaries	27,212,526	27,212,526	27,212,526	
Aprisa Business Process Solutions, Inc.	30,118,113	30,118,113	30,118,113	
Arvo Commercial Corporation	400,806	400,806	400,806	
Asian I-Office Properties, Inc. (AiO)	21,103,979	21,103,979	21,103,979	
Aurora Properties Incorporated	18,429,868	18,429,868	18,429,868	
Ayala Land Corporation and Subsidiaries	554,518,437	554,518,437	554,518,437	
Ayala Land International Sales, Inc.	44,487,916	44,487,916	44,487,916	
Ayala Land Sales, Inc.	32,440,241	32,440,241	32,440,241	
Ayala Property Management Corporation	55,276,176	55,276,176	55,276,176	
Ayala Theatres Management, Inc. and Subsidiaries	17,065,735	17,065,735	17,065,735	
AyalaLand Hotels and Resorts Corporation	4,070,025	4,070,025	4,070,025	
Buendia Landholdings, Inc.	2,466,969	2,466,969	2,466,969	
Cavite Commercial Center, Inc.	194,264	194,264	194,264	
Ceci Realty, Inc.	29,403,134	29,403,134	29,403,134	
Crestview E-Office Corporation (CeOC)	13,695,956	13,695,956	13,695,956	
Crimson Field Enterprises, Inc.	75,400,335	75,400,335	75,400,335	
Five Star Cinema, Inc.	6,750,000	6,750,000	6,750,000	
Gisborne Property Holdings, Inc.	595,489	595,489	595,489	
Hillsford Property Corporation (HPC)	300,059,907	300,059,907	300,059,907	
Leisure and Allied Industries Philippines, Inc.	12,131,800	12,131,800	12,131,800	
Makati Development Corporation (MDC)	2,392,240,426	2,392,240,426	2,392,240,426	
NorthBeacon Commercial Corporation (NBCC)	28,039,021	28,039,021	28,039,021	
Primavera Towncentre, Inc. (PTI)	8,823,332	8,823,332	8,823,332	
Red Creek Properties, Inc.	222,864,415	222,864,415	222,864,415	
Regent Time International, Limited (Regent Time) (British Virgin)	96,790,963	96,790,963	96,790,963	
Roxas Land Corporation (RLC)	2,964,094	2,964,094	2,964,094	
Serendra, Inc.	26,217,166	26,217,166	26,217,166	
Station Square East Commercial Corporation (SSECC)	397,863	397,863	397,863	
Subic Bay Town Centre, Inc.	28,747,781	28,747,781	28,747,781	
Sub-Total	4,811,291,293	4,811,291,293	4,811,291,293	-

Amount Owed by ALI Parent to ALI Subsidiaries				
	Receivable Balance per ALI Subsidiaries	Payable Balance per ALI Parent	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Accendo Commercial Corp. (Accendo)	4,435	4,435	4,435	
ALI Property Partners Corp. (APPCo)	3,733,300	3,733,300	3,733,300	
ALI-CII Development Corporation (ALI-CII)	24,554	24,554	24,554	
Alveo Land Corporation	23,058,997	23,058,997	23,058,997	
Amorsedia Development Corporation and Subsidiaries	251,249,452	251,249,452	251,249,452	
Ayala Land Corporation and Subsidiaries	49,242,361	49,242,361	49,242,361	
Ayala Land International Sales, Inc.	12,147,275	12,147,275	12,147,275	
Ayala Land Sales, Inc.	6,635,355	6,635,355	6,635,355	
Ayala Property Management Corporation	10,737,020	10,737,020	10,737,020	
Crimson Field Enterprises, Inc.	9,375,000	9,375,000	9,375,000	
Leisure and Allied Industries Philippines, Inc.	5,600	5,600	5,600	
Makati Development Corporation (MDC)	1,285,447,563	1,285,447,563	1,285,447,563	
NorthBeacon Commercial Corporation (NBCC)	114,670	114,670	114,670	
Regent Time International, Limited (Regent Time) (British Virgin)	295,650,910	295,650,910	295,650,910	
Serendra, Inc.	2,568,618	2,568,618	2,568,618	
Station Square East Commercial Corporation (SSECC)	151,062	151,062	151,062	
Sub-Total	1,950,146,170	1,950,146,170	1,950,146,170	-

Amount Owed by ALI Subsidiaries to Makati Development Corporation (MDC)				
	Receivable Balance per MDC	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Alveo Land Corporation	352,114,191.97	352,114,191.97	352,114,191.97	0.00
Amorsedia Development Corporation and Subsidiaries	6,439,333.63	6,439,333.63	6,439,333.63	0.00
Asian I-Office Properties, Inc. (AiO)	118,876,895.83	118,876,895.83	118,876,895.83	0.00
Avida Land Corporation and Subsidiaries	427,323,171.76	427,323,171.76	427,323,171.76	0.00
Ayala Property Management Corporation	20,068,787.77	20,068,787.77	20,068,787.77	0.00
Ceci Realty, Inc.	83,288,527.40	83,288,527.40	83,288,527.40	0.00
Serendra, Inc.	374,867,773.92	374,867,773.92	374,867,773.92	0.00
Station Square East Commercial Corporation (SSECC)	3,129,661.99	3,129,661.99	3,129,661.99	0.00
Vesta Property Holdings, Inc.	95,931,622.62	95,931,622.62	95,931,622.62	0.00
Sub-Total	1,482,039,967	1,482,039,967	1,482,039,967	-

Amount Owed by Makati Development Corporation to ALI Subsidiaries				
	Receivable Balance per ALI Subsidiaries	Payable Balance per MDC	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Alveo Land Corporation	246,119,555.74	246,119,555.74	246,119,555.74	0.00
Amorsedia Development Corporation and Subsidiaries	5,718,479.01	5,718,479.01	5,718,479.01	0.00
Asian I-Office Properties, Inc. (AiO)	2,267,690.71	2,267,690.71	2,267,690.71	0.00
Avida Land Corporation and Subsidiaries	182,037,978.46	182,037,978.46	182,037,978.46	0.00
Laguna Technopark, Inc.	238,568.92	238,568.92	238,568.92	0.00
Serendra, Inc.	305,024,996.46	305,024,996.46	305,024,996.46	0.00
Sub-Total	743,554,384	743,554,384	743,554,384	-

Amount Owed by ALI Subsidiaries to Ecoholdings, Inc.				
	Receivable Balance per Ecoholdings, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Ten Knots Development, Corp.	248,065,745.17	248,065,745.17	0.00	248,065,745.17
Ten Knots Phils, Inc. (TKPI)	90,611,324.44	90,611,324.44	0.00	90,611,324.44
Sub-Total	338,677,070	338,677,070	-	338,677,070

Amount Owed by ALI Subsidiaries to Ayala Land Hotels, Inc.				
	Receivable Balance per Ayala Land Hotels, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
AyalaLand Hotels and Resorts Corporation	153,119,611.55	153,119,611.55	153,119,611.55	-
Sub-Total	153,119,612	153,119,612	153,119,612	-

Amount Owed by ALI Subsidiaries to Studio Ventures, Inc.				
	Receivable Balance per Studio Ventures, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
MZM Holdings, Inc.	929,917.75	929,917.75	929,917.75	-
Sub-Total	929,918	929,918	929,918	-

Amount Owed by ALI Subsidiaries to Avida Land, Inc.				
	Receivable Balance per Avida Land, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Aurora Properties Incorporated	14,435,403.18	14,435,403.18	14,435,403.18	-
Ayala Theatres Management, Inc. and Subsidiaries	69,503.34	69,503.34	69,503.34	-
Ayala Land International Sales, Inc.	553,907.11	553,907.11	553,907.11	-
Sub-Total	15,058,814	15,058,814	15,058,814	-

Amount Owed by ALI Subsidiaries to Amaia Land Co. (Amaia)				
	Receivable Balance per Amaia	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Ayala Land, Inc.	1,847,905.16	1,847,905.16	1,847,905.16	
Sub-Total	1,847,905	1,847,905	1,847,905	-

Amount Owed by ALI Subsidiaries to Ceci Realty, Inc.				
	Receivable Balance per Ceci Realty, Inc.	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Vesta Property Holdings, Inc.	15,520,544.75	15,520,544.75	15,520,544.75	0.00
Aurora Properties Incorporated	12,774,299.25	12,774,299.25	12,774,299.25	0.00
Sub-Total	28,294,844	28,294,844	28,294,844	-

Amount Owed by ALI Subsidiaries to Alveo Land Corporation				
	Receivable Balance per Alveo Land Corporation	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Vesta Property Holdings, Inc.	98,981,116.72	98,981,116.72	98,981,116.72	0.00
Aurora Properties Incorporated	6,704,901.40	6,704,901.40	6,704,901.40	0.00
Ayala Land, Inc.	1,783,242.00	1,783,242.00	1,783,242.00	0.00
Ayala Land International Sales, Inc.	2,500,000.00	2,500,000.00	2,500,000.00	0.00
Serendra, Inc.	5,023,725.51	5,023,725.51	5,023,725.51	0.00
Sub-Total	114,992,986	114,992,986	114,992,986	-

Amount Owed by ALI Subsidiaries to Aurora Properties Incorporated				
	Receivable Balance per Aurora Properties Incorporated	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Vesta Property Holdings, Inc.	10,341.36	10,341.36	10,341.36	0.00
Ceci Realty, Inc.	8,115.00	8,115.00	8,115.00	0.00
Sub-Total	18,456	18,456	18,456	-

Amount Owed by ALI Subsidiaries to Station Square East Commercial Corporation (SSECC)				
	Receivable Balance per SSECC	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
NorthBeacon Commercial Corporation (NBCC)	7,120.00	7,120.00	7,120.00	
Sub-Total	7,120	7,120	7,120	-

Amount Owed by ALI Subsidiaries to NorthBeacon Commercial Corporation (NBCC)				
	Receivable Balance per NBCC	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Subic Bay Town Center, Inc.	169,698.19	169,698.19	169,698.19	
Sub-Total	169,698	169,698	169,698	-

Amount Owed by ALI Subsidiaries to Ten Knots Development, Corp. (TKDC)				
	Receivable Balance per TKDC	Payable Balance per ALI Subsidiaries	Current	Non-Current
Ayala Land, Inc. (ALI) Subsidiaries:				
Ten Knots Phils, Inc. (TKPI)	2,169,679.16	2,169,679.16	2,169,679.16	
Sub-Total	2,169,679	2,169,679	2,169,679	-

Total Eliminated Receivables	9,642,317,915	9,642,317,915	9,303,640,846	338,677,070
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AYALA LAND INC. AND SUBSIDIARIES
Schedule D - Intangible Assets - Other Assets
As of December 31, 2011

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Lease Right 1/	126,848,152	0	(6,676,220)	0	0	120,171,933
	126,848,152	0	(6,676,220)	0	0	120,171,933

1/ Leaserright pertains to the right to use an island property expiring on December 31, 2029. This was included under non-current assets.

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
As of December 31, 2011

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT (NET OF CURRENT PORTION)	Interest Rate	No. of Periodic Installment	Maturity Date
Ayala Land, Inc.:						
BONDS						
Philippine Peso 5-Year Bond due 2013	4,000,000,000.00		4,000,000,000.00	4.00%	N/A	8/14/2013
Philippine Peso Homestarter Bond due 2012	504,000,000.00	325,390,000		5.00%	N/A	10/16/2012
Philippine Peso Homestarter Bond due 2013	1,008,000,000.00		417,900,000.00	5.00%	N/A	4/16/2013
Philippine Peso Homestarter Bond due 2014	2,016,000,000.00		173,715,000.00	5.00%	N/A	5/16/2014
Philippine Peso 7-year FRCN due 2016	1,000,000,000.00		1,000,000,000	90DR1+0.96%	N/A	10/12/2016
Philippine Peso 5-, 7- and 10-year FXCN due 2014, 2016 and 2019						
Due 2014	220,000,000.00		220,000,000	7.76%	N/A	1/29/2014
Due 2016	630,000,000.00		630,000,000	8.45%	3	1/28/2016
Due 2019	1,530,000,000.00		1,530,000,000	8.90%	N/A	1/28/2019
Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026						
Due 2016	5,700,000,000.00		5,700,000,000	5.63%	3	1/20/2016
Due 2021	3,300,000,000.00		3,300,000,000	6.88%	6	1/19/2021
Due 2026	1,000,000,000.00		1,000,000,000	7.50%	11	1/19/2026
Philippine Peso 7- and 10-year FXCNs due 2013 and 2016						
Due 2013	250,000,000.00		195,000,000	7.38%	N/A	9/23/2013
Due 2016	920,000,000.00		100,000,000	7.75%	N/A	9/22/2016
Subsidiaries:						
Bank Loan (Security Bank)	Various	255,975,000	1,172,220,800	4.78%; Floating Rates; 5.66%; 4.81%	Various	2/21/2014; 11/9/2015; 11/28/2017; 3/14/2014;
Bank Loan (BPI)	Various	108,547,250	2,342,593,844	Floating Rates; 5.75%;8.41%	Various	10/6/2017; 10/5/2018; 12/10/2014; 10/24/2015;6/28/2015;
Bank Loan (LandBank of the Phil)	Various		498,437,500	4.50%	Various	10/20/2018; 12/20/2017
Bank Loan (DBP)	Various	315,000,000	1,327,500,000	4.50%	Various	7/13/2016
Bank Loan (MetroBank)	Various	493,000,000	569,887,500	8.61%;10.21%; 8.95%; 8.15%; 8.14%	Various	9/28/2014
Bank Loan (RCBC)	Various	10,000,000	1,462,500,000	Floating Rates	Various	7/31/2014; 5/15/2015; 8/15/2012
Bank Loan (ChinaBank)	Various	48,848,479	2,695,411,855	Floating Rates; 6.27%	Various	12/28/2016; 8/8/2014
TOTAL		1,556,760,729	28,335,166,499			7/31/2014; 12/28/2017; 12/28/2018; 7/15/2015

AYALA LAND INC. AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)

As of December 31, 2011

NAME OF RELATED PARTY	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD
NOT APPLICABLE		

The total amount of P71M million on related parties is on only .05% of the total assets of the company as of December 31, 2011.

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As of December 31, 2011

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR W/C THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED & OUTSTANDING	AMOUNT OWNED BY PERSON FOR W/C STATEMENT IS FILED	NATURE OF GUARANTEE
NOT APPLICABLE				

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE H- CAPITAL STOCK
As of December 31, 2011

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING AT SHOWN UNDER RELATED BALANCE SHEET CAPTION				NUMBER OF SHARES RESERVED FOR OPTIONS, WARRANTS, CONVERSION AND OTHER RIGHTS	NUMBER OF SHARES HELD BY RELATED PARTIES	DIRECTORS, OFFICERS AND EMPLOYEES	OTHERS
		ISSUED	SUBSCRIBED	TREASURY SHARES	TOTAL				
Common Stock	20,000,000,000	13,022,771,422	99,916,589	(79,528,228)	13,043,159,783	57,772,710	7,047,995,586	81,070,278	
Preferred Stock	15,000,000,000	13,034,603,880			13,034,603,880				

Ayala Land, Inc. & Subsidiaries
Schedule I- List of Applicable Standards and Interpretations
December 31, 2011

PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
PFRS 1, <i>First-time Adoption of Philippine Financial Reporting Standards</i>	Not applicable
PFRS 2, <i>Share-based Payment</i>	Adopted
PFRS 3, <i>Business Combinations</i>	Adopted
PFRS 4, <i>Insurance Contracts</i>	Not applicable
PFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations</i>	Not applicable
PFRS 6, <i>Exploration for and Evaluation of Mineral Resources</i>	Not applicable
PFRS 7, <i>Financial Instruments: Disclosures</i>	Adopted
PFRS 8, <i>Operating Segments</i>	Adopted
PAS 1, <i>Presentation of Financial Statements</i>	Adopted
PAS 2, <i>Inventories</i>	Adopted
PAS 7, <i>Statement of Cash Flows</i>	Adopted
PAS 8, <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	Adopted
PAS 10, <i>Events after the Reporting Period</i>	Adopted
PAS 11, <i>Construction Contracts</i>	Adopted
PAS 12, <i>Income Taxes</i>	Adopted
PAS 16, <i>Property, Plant and Equipment</i>	Adopted
PAS 17, <i>Leases</i>	Adopted
PAS 18, <i>Revenue</i>	Adopted
PAS 19, <i>Employee Benefits</i>	Adopted
PAS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	Not applicable
PAS 21, <i>The Effects of Changes in Foreign Exchange Rates</i>	Adopted
PAS 23, <i>Borrowing Costs</i>	Adopted
PAS 24, <i>Related Party Disclosures</i>	Adopted
PAS 26, <i>Accounting and Reporting by Retirement Benefit Plans</i>	Not applicable
PAS 27, <i>Consolidated and Separate Financial Statements</i>	Adopted
PAS 28, <i>Investments in Associates</i>	Adopted
PAS 29, <i>Financial Reporting in Hyperinflationary Economies</i>	Not applicable
PAS 31, <i>Interests in Joint Ventures</i>	Adopted
PAS 32, <i>Financial Instruments: Presentation</i>	Adopted
PAS 33, <i>Earnings per Share</i>	Adopted
PAS 34, <i>Interim Financial Reporting</i>	Adopted
PAS 36, <i>Impairment of Assets</i>	Adopted
PAS 37, <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Adopted
PAS 38, <i>Intangible Assets</i>	Adopted
PAS 39, <i>Financial Instruments: Recognition and Measurement</i>	Adopted
PAS 40, <i>Investment Property</i>	Adopted
PAS 41, <i>Agriculture</i>	Not applicable
Philippine Interpretation IFRIC-1, <i>Changes in Existing</i>	Not applicable

PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
<i>Decommissioning, Restoration and Similar Liabilities</i>	
Philippine Interpretation IFRIC–2, <i>Members' Shares in Co-operative Entities and Similar Instruments</i>	Not applicable
Philippine Interpretation IFRIC–4, <i>Determining whether an Arrangement contains a Lease</i>	Adopted
Philippine Interpretation IFRIC–5, <i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	Not applicable
Philippine Interpretation IFRIC–6, <i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>	Not applicable
Philippine Interpretation IFRIC–7, <i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>	Not applicable
Philippine Interpretation IFRIC–9, <i>Reassessment of Embedded Derivatives</i>	Adopted
Philippine Interpretation IFRIC–10, <i>Interim Financial Reporting and Impairment</i>	Adopted
Philippine Interpretation IFRIC–12, <i>Service Concession Arrangements</i>	Not applicable
Philippine Interpretation IFRIC–13, <i>Customer Loyalty Programmes</i>	Not applicable
Philippine Interpretation IFRIC–14, <i>PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	Not applicable
Philippine Interpretation IFRIC–16, <i>Hedges of a Net Investment in a Foreign Operation</i>	Not applicable
Philippine Interpretation IFRIC–17, <i>Distributions of Non-cash Assets to Owners</i>	Not applicable
Philippine Interpretation IFRIC–18, <i>Transfers of Assets from Customers</i>	Not applicable
Philippine Interpretation IFRIC–19, <i>Extinguishing Financial Liabilities with Equity Instruments</i>	Not applicable
Philippine Interpretation SIC–7, <i>Introduction of the Euro</i>	Not applicable
Philippine Interpretation SIC–10, <i>Government Assistance - No Specific Relation to Operating Activities</i>	Not applicable
Philippine Interpretation SIC–12, <i>Consolidation - Special Purpose Entities</i>	Not applicable
Philippine Interpretation SIC–13, <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>	Adopted
Philippine Interpretation SIC–15, <i>Operating Leases – Incentives</i>	Adopted
Philippine Interpretation SIC–21, <i>Income Taxes - Recovery of Revalued Non-Depreciable Assets</i>	Not applicable
Philippine Interpretation SIC–25, <i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>	Not applicable
Philippine Interpretation SIC–27, <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	Adopted
Philippine Interpretation SIC–29, <i>Service Concession Arrangements: Disclosures</i>	Not applicable
Philippine Interpretation SIC–31, <i>Revenue - Barter</i>	Not applicable

PFRSs and PIC Q&As	Adopted/Not adopted/Not applicable
<i>Transactions Involving Advertising Services</i>	
Philippine Interpretation SIC-32, <i>Intangible Assets - Web Site Costs</i>	Not applicable
PIC Q&A No. 2006-01: PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts	Adopted
PIC Q&A No. 2006-02: PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements	Not applicable
PIC Q&A No. 2007-03: PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)	Not applicable
PIC Q&A No. 2007-04: PAS 101.7 - Application of criteria for a qualifying NPAE	Not applicable
PIC Q&A No. 2008-01 (Revised): PAS 19.78 – Rate used in discounting post-employment benefit obligations	Adopted
PIC Q&A No. 2008-02: PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20	Not applicable
PIC Q&A No. 2009-01: Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern	Not applicable
PIC Q&A No. 2010-01: PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines	Not applicable
PIC Q&A No. 2010-02: PAS 1R.16 – Basis of preparation of financial statements	Adopted
PIC Q&A No. 2011-01: PAS 1.10(f) – Requirements for a Third Statement of Financial Position	Adopted
PIC Q&A No. 2011-02: PFRS 3.2 – Common Control Business Combinations	Not applicable
PIC Q&A No. 2011-03: Accounting for Inter-company Loans	Not applicable
PIC Q&A No. 2011-04: PAS 32.37-38 - Costs of Public Offering of Shares	Not applicable
PIC Q&A No. 2011-05: PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost	Not applicable

Pronouncements issued but not yet effective	Applicable to annual period beginning on or after	Early application allowed	Remarks
Amendments to PFRS 7: <i>Disclosures—Transfers of Financial Assets</i>	July 1, 2011	Yes	
Amendments to PFRS 7: <i>Disclosures—Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2013	Not mentioned	
PFRS 9, <i>Financial Instruments</i>	January 1, 2015	Yes	PFRS 9 was first adopted by FRSC in March 2010, which introduces new requirements on the classification and measurement of

Pronouncements issued but not yet effective	Applicable to annual period beginning on or after	Early application allowed	Remarks
			financial assets [PFRS 9 (2009)]. Subsequently in November 2010, the FRSC adopted the requirements on the classification and measurement of financial liabilities, which were then added to the previously adopted PFRS 9 [PFRS 9 (2010)]. Need to mark IFRIC-9 as "Not applicable" if the entity will early adopt PFRS 9 (2010).
PFRS 10, <i>Consolidated Financial Statements</i>	January 1, 2013	Yes	Early application allowed provided that the entity will also early adopt PFRS 11, PFRS 12, PAS 27 (Revised) and PAS 28 (Revised) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, SIC-12 and SIC-13 as "Not applicable".
PFRS 11, <i>Joint Arrangements</i>	January 1, 2013	Yes	Early application allowed provided that the entity will also early adopt PFRS 10, PFRS 12, PAS 27 (Revised) and PAS 28 (Revised) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, SIC-12 and SIC-13 as "Not applicable".
PFRS 12, <i>Disclosure of Interests in Other Entities</i>	January 1, 2013	Yes	
PFRS 13, <i>Fair Value Measurement</i>	January 1, 2013	Yes	
Amendments to PAS 1: <i>Presentation of Items of Other Comprehensive Income</i>	July 1, 2012	Yes	
Amendments to PAS 12– <i>Deferred Tax: Recovery of Underlying Assets</i>	January 1, 2012	Yes	Need to mark SIC-21 as "Not applicable".
PAS 19, <i>Employee Benefits</i> (Revised)	January 1, 2013	Yes	Need to mark existing PAS 19 as "Not applicable".

Pronouncements issued but not yet effective	Applicable to annual period beginning on or after	Early application allowed	Remarks
PAS 27, <i>Separate Financial Statements</i>	January 1, 2013	Yes	Early application allowed provided that the entity will also early adopt PFRS 10, PFRS 11, PFRS 12, and PAS 28 (Revised) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, SIC-12 and SIC-13 as "Not applicable".
PAS 28, <i>Investments in Associates and Joint Ventures</i>	January 1, 2013	Yes	Early application allowed provided that the entity will also early adopt PFRS 10, PFRS 11, PFRS 12, and PAS 27 (Revised) at the same time. Need to mark the existing PAS 27, PAS 28, PAS 31, SIC-12 and SIC-13 as "Not applicable".
Amendments to PAS 32, <i>Offsetting Financial Assets and Financial Liabilities</i>	January 1, 2014	Yes	Early application allowed provided that the entity will also early adopt <i>Disclosures—Offsetting Financial Assets and Financial Liabilities</i> (Amendments to PFRS 7).
Philippine Interpretation IFRIC-15, <i>Agreements for the Construction of Real Estate</i>	Deferred by SEC and FRSC	No	
Philippine Interpretation IFRIC-20, <i>Stripping Costs in the Production Phase of a Surface Mine</i>	January 1, 2013	Yes	
PIC Q&A No. 2011-02: PFRS 3.2 – Common Control Business Combinations	January 1, 2012	Yes	
PIC Q&A No. 2011-03: Accounting for Inter-company Loans	January 1, 2012	Yes	
PIC Q&A No. 2011-04: PAS 32.37-38 – Costs of Public Offering of Shares	January 1, 2012	Yes	
PIC Q&A No. 2011-05: PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost	January 25, 2012	Not mentioned	

AYALA LAND INC. AND SUBSIDIARIES

SCHEDULE J- Reconciliation of Retained Earnings Available for Dividend Declaration

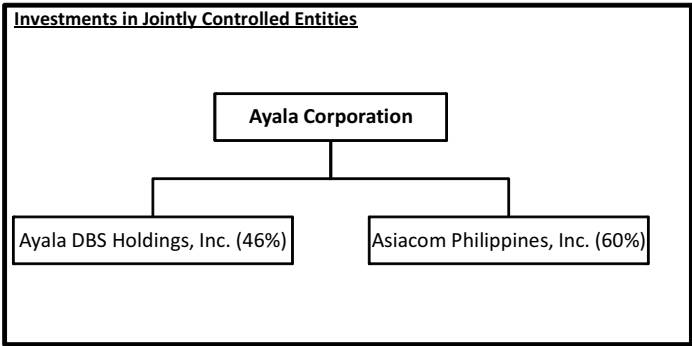
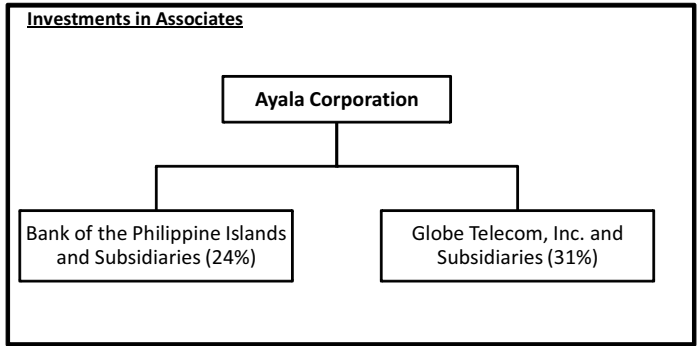
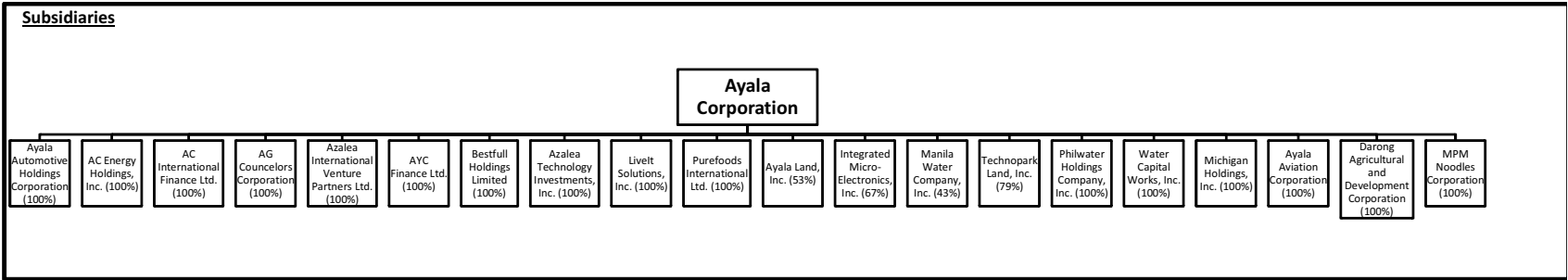
December 31, 2011

Unappropriated retained earnings, <i>as adjusted to available for dividend distribution, beginning*</i>		17,660,098,863
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings (Parent)	3,395,667,671	
(Less): Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment in Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP-gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	<u>3,395,667,671</u>	
Add: Non-actual losses		
Amount of provision for deferred tax during the year	156,736,178	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
	<u>156,736,178</u>	
Net income actually earned during the year		21,212,502,713
Add (Less):		
Dividend declarations during the year	(1,971,568,430)	
Appropriations of Retained Earnings during the year	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
		<u>(1,971,568,430)</u>
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDENDS*		<u>19,240,934,283</u>

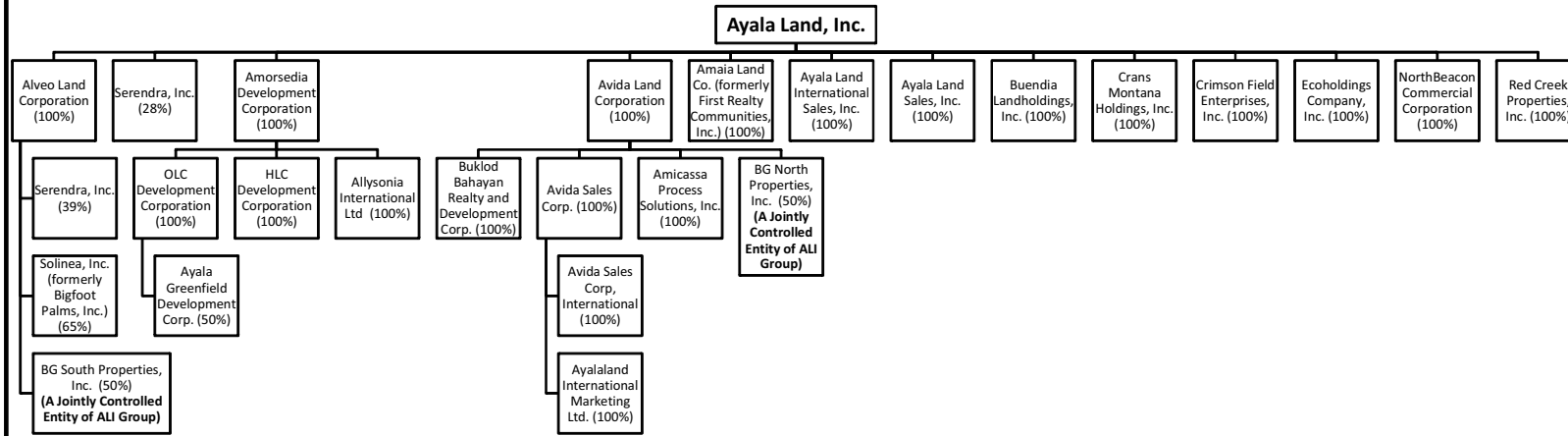
*Reconciliation of consolidated retained earnings to retained earnings available for dividend follows:

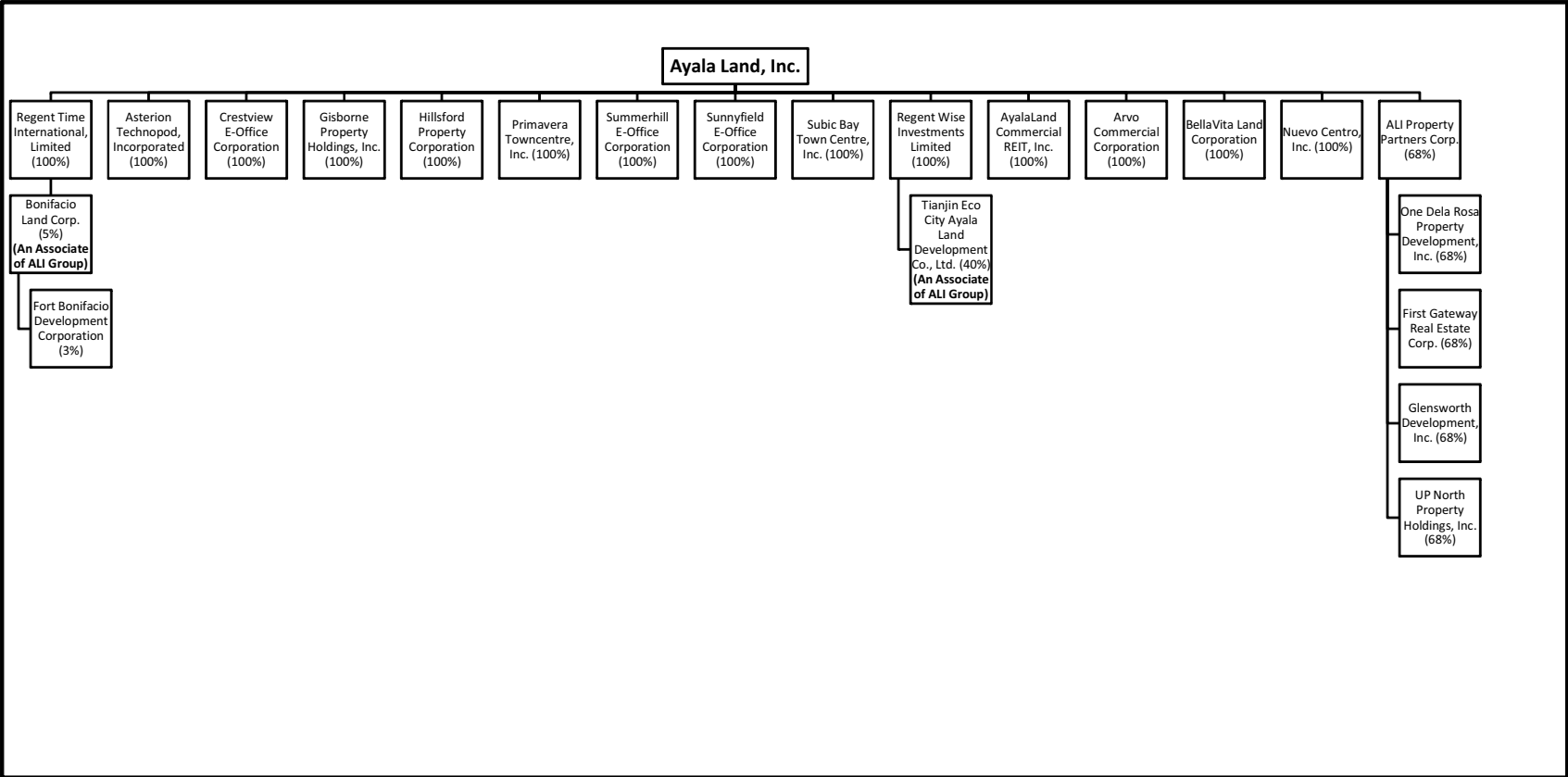
	December 31, 2011
Consolidated retained earnings balance	37,925,560,116
Accumulated equity in net earnings of subsidiaries, associates and joint ventures and other adjustments	(17,131,491,559)
Deferred tax assets	(942,010,485)
Treasury shares	(823,967,469)
Deferred Credits-Equity	8,960,000
Adjustment in Retained Earnings, beg.	203,883,680
Retained Earnings available for dividends	<u>19,240,934,283</u>

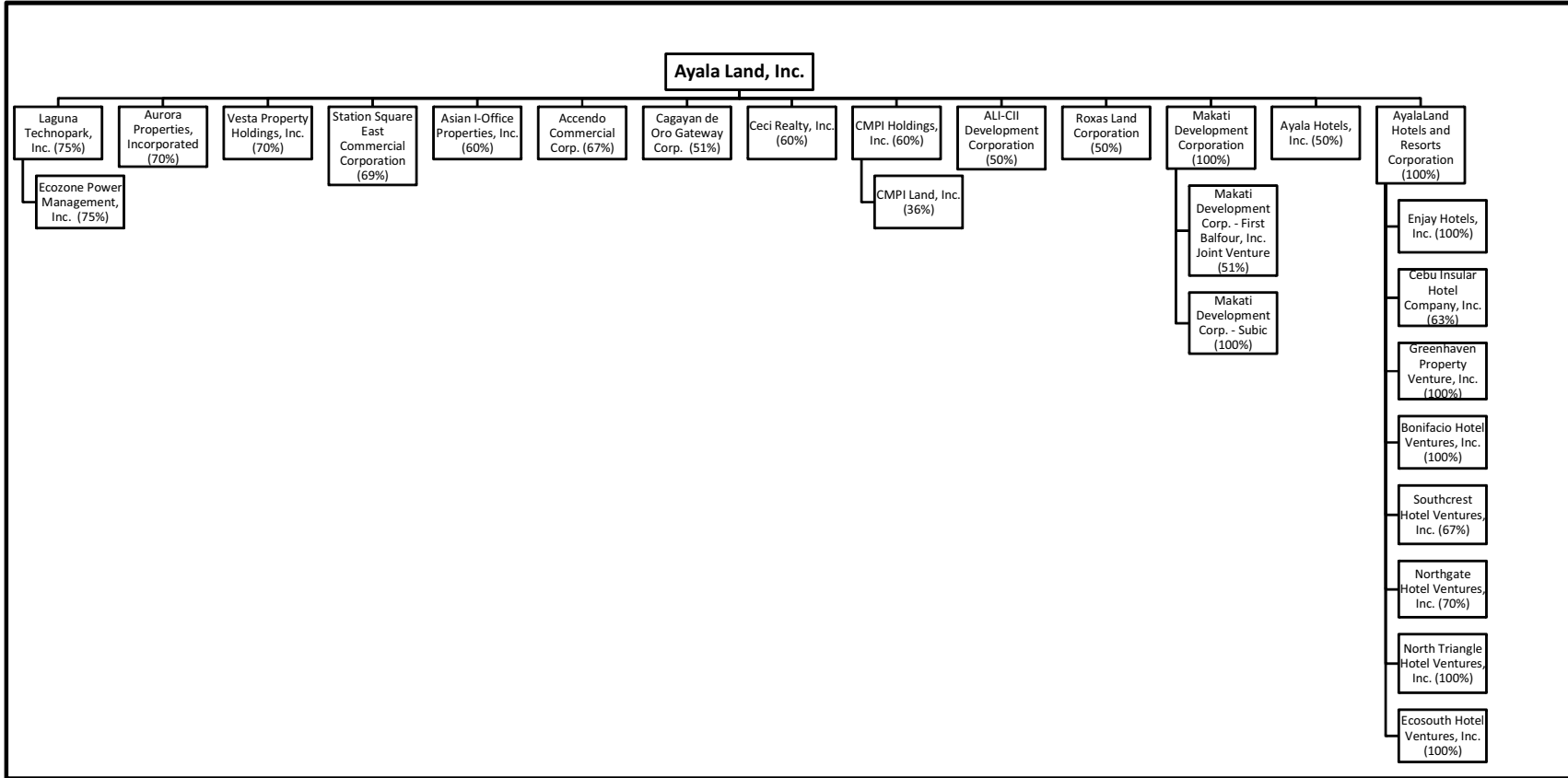
Ayala Land, Inc. & Subsidiaries
Schedule K - Family Tree
December 31, 2011

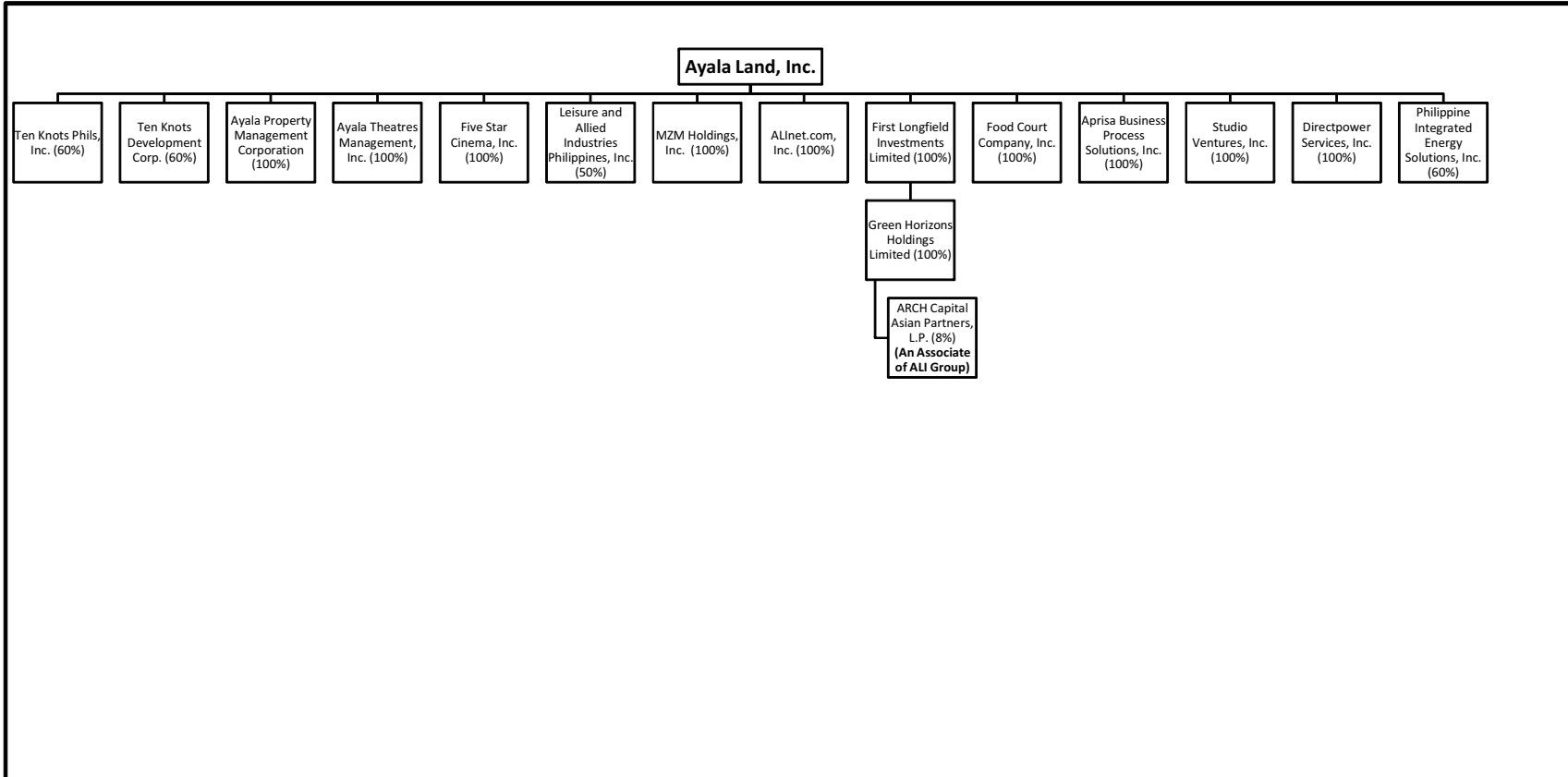


Subsidiaries

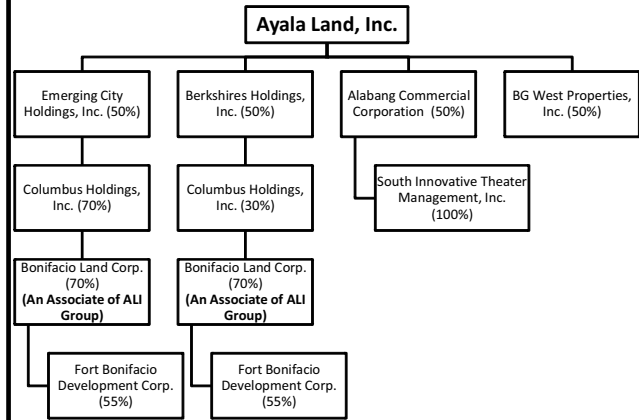




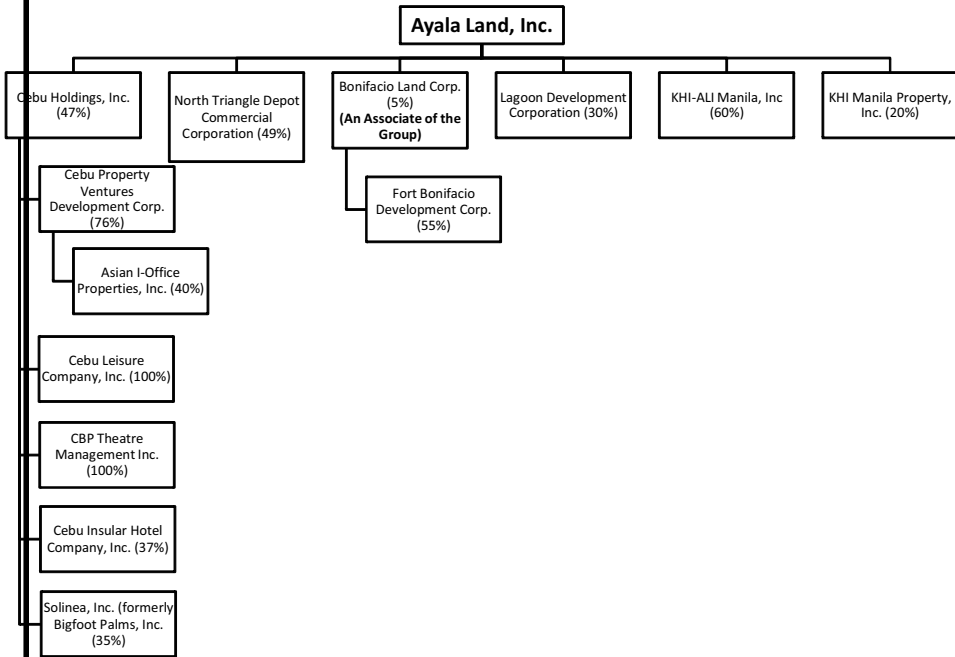




Direct Investments in Jointly Controlled Entities



Direct Investments in Associates



AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE L - FINANCIAL RATIOS (SRC RULE 68, AMENDED)
December 31, 2011

Financial Soundness Indicator:	2011	2010
a. Current/ liquidity ratios		
Current ratios	165.1%	166.7%
Quick ratios	117.0%	123.4%
b. Solvency/ debt-to-equity ratios		
Debt-to equity ratios	55.4%	36.9%
Net debt- to-equity ratios	15.6%	2.0%
c. Asset-to-equity ratios	248.2%	214.2%
d. Interest rate coverage ratios	7.08	6.89
e. Profitability ratios		
Net income margin	16.2%	14.4%
Return on total assets	5.9%	5.5%
Return on equity	11.8%	10.1%
f. Other relevant ratios	None	None

Please see Annex A for the supporting computations

	2011	2010
	(AMOUNTS IN THOUSANDS)	
Profitability ratios		
Net Income Attributable to Equity holders of Ayala Land, Inc.	7,140,308	5,458,134
Revenue	44,205,533 **	37,813,499 **
Net income margin	16.2%	14.4% ***
Net income after tax	8,090,583	6,288,054
Total Assets CY	154,619,179	121,675,262
Total Assets PY	121,675,262	107,741,848
Average Total Assets	138,147,221	114,708,555
Return on total assets	5.9%	5.5%
Net income after tax	8,090,583	6,288,054
Total Equity-CY	72,042,512	65,470,128
Total Equity-PY	65,470,128	59,194,900
Average total equity	68,756,320	62,332,514
Return on Equity	11.8%	10.1%

** Revenue used is based on the total revenue presented in the financial statements

*** same as those reported in the annual report 2010

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

The management of Ayala Land, Inc. and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2011 and 2010, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors


ANTONINO T. AQUINO
President & Chief Executive Officer



JAIME E. YSMAEL
Chief Finance Officer

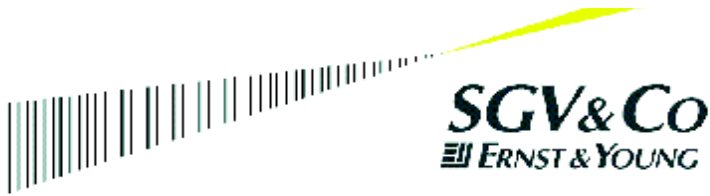
SUBSCRIBED AND SWORN to before me this FEB 20 2012 at Makati City, affiants exhibiting to me their respective Passports, to wit:

<u>Name</u>	<u>Passport No.</u>	<u>Date & Place of Issue</u>
Fernando Zobel de Ayala	XX2935162	04 February 2009 – Manila
Antonino T. Aquino	XX4033426	25 June 2009 – Manila
Jaime E. Ysmael	XX1502287	03 June 2008 – Manila

Doc. No. 45 ;
Page No. 30 ;
Book No. 14 ;
Series of 2012.
Notarial DST pursuant to
Sec. 188 of the Tax Code
attached on Notary Public's copy.




MA. CARLOTA CHRISTINA G. LAIÑO
Notary Public - Makati City
Appt. No. M500 until December 31, 2012
Attorney's Roll No. 42793
PTR No: 3178180MB; 01-03-2012; Makati City
IBP Lifetime Roll No. 07925
MCLE Compliance No. III - 0000421, 7-17-2008
33rd Floor, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines



SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ayala Land, Inc.

We have audited the accompanying consolidated financial statements of Ayala Land, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

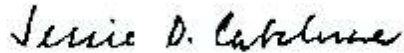
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Ayala Land, Inc. and its subsidiaries as at December 31, 2011 and 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Jessie D. Cabaluna

Partner

CPA Certificate No. 36317

SEC Accreditation No. 0069-AR-2 (Group A),

February 11, 2010, valid until February 10, 2013

Tax Identification No. 102-082-365

BIR Accreditation No. 08-001998-10-2009,

June 1, 2009, valid until May 31, 2012

PTR No. 3174583, January 2, 2012, Makati City

February 20, 2012



AYALA LAND, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands)

	December 31	
	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 30)	₱24,603,213	₱18,018,807
Short-term investments (Notes 5 and 30)	191,987	1,434,337
Financial assets at fair value through profit or loss (Notes 6 and 30)	–	404,008
Accounts and notes receivable (Notes 7 and 30)	21,578,363	16,426,367
Inventories (Note 8)	21,908,571	14,368,671
Other current assets (Note 9)	7,034,508	4,718,709
Total Current Assets	75,316,642	55,370,899
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 7 and 30)	7,293,682	4,859,833
Available-for-sale financial assets (Notes 10 and 30)	710,442	691,664
Land and improvements (Note 11)	18,736,580	16,051,777
Investments in associates and jointly controlled entities (Note 12)	12,626,231	10,846,046
Investment properties (Note 13)	30,490,311	25,744,826
Property and equipment (Note 14)	5,395,471	4,167,989
Deferred tax assets - net (Note 24)	1,948,633	2,073,410
Other noncurrent assets (Note 15)	2,101,187	1,868,818
Total Noncurrent Assets	79,302,537	66,304,363
	₱154,619,179	₱121,675,262
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 16 and 30)	₱38,129,385	₱25,891,915
Short-term debt (Notes 17 and 30)	4,638,844	2,890,042
Income tax payable	179,712	72,298
Current portion of long-term debt (Notes 17 and 30)	1,556,761	2,328,160
Other current liabilities (Note 18)	1,124,576	2,032,133
Total Current Liabilities	45,629,278	33,214,548
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 17 and 30)	28,335,166	15,752,731
Pension liabilities (Note 27)	72,204	86,363
Deferred tax liabilities - net (Note 24)	744,234	597,668
Deposits and other noncurrent liabilities (Notes 19 and 30)	7,795,785	6,553,824
Total Noncurrent Liabilities	36,947,389	22,990,586
Total Liabilities	82,576,667	56,205,134

(Forward)



	December 31	
	2011	2010
Equity (Note 20)		
Equity attributable to equity holders of Ayala Land, Inc.		
Paid-up capital	₱18,960,206	₱18,681,148
Retained earnings	43,925,560	38,756,821
Stock options outstanding (Note 29)	232,298	202,500
Unrealized gain on available-for-sale financial assets (Note 10)	53,909	40,650
Other reserves (Note 2)	8,960	-
Treasury stock	(823,967)	(823,967)
	62,356,966	56,857,152
Non-controlling interests	9,685,546	8,612,976
Total Equity	72,042,512	65,470,128
	₱154,619,179	₱121,675,262

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2011	2010	2009
REVENUE			
Real estate (Notes 21 and 26)	₱38,986,675	₱33,513,523	₱26,505,560
Hotel and resort operations (Note 22)	2,244,159	1,894,917	1,232,443
Interest and investment income (Note 26)	1,658,896	1,065,205	1,116,827
Equity in net earnings of associates and jointly controlled entities (Note 12)	898,550	905,645	968,004
Other income (Notes 23 and 26)	417,253	434,209	632,410
	44,205,533	37,813,499	30,455,244
COSTS AND EXPENSES			
Real estate (Note 23)	26,517,732	23,707,381	18,149,304
General and administrative expenses (Notes 23, 27 and 29)	3,479,612	3,188,353	2,792,633
Interest expense and other financing charges (Note 23)	1,879,770	1,539,111	1,345,491
Hotel and resort operations (Note 23)	1,423,399	1,239,938	867,199
Other charges (Note 23)	195,292	278,512	1,454,679
	33,495,805	29,953,295	24,609,306
INCOME BEFORE INCOME TAX	10,709,728	7,860,204	5,845,938
PROVISION FOR INCOME TAX (Note 24)			
Current	2,331,615	2,120,535	1,460,090
Deferred	287,530	(548,385)	(295,181)
	2,619,145	1,572,150	1,164,909
NET INCOME	₱8,090,583	₱6,288,054	₱4,681,029
Net Income Attributable to:			
Equity holders of Ayala Land, Inc. (Note 28)	₱7,140,308	₱5,458,134	₱4,039,256
Non-controlling interests	950,275	829,920	641,773
	₱8,090,583	₱6,288,054	₱4,681,029
Earnings Per Share (Note 28)			
Basic/Diluted			
Net income attributable to equity holders of Ayala Land, Inc.	₱0.55	₱0.41	₱0.31

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2011	2010	2009
Net income	₱8,090,583	₱6,288,054	₱4,681,029
Other comprehensive income:			
Net gain on available-for-sale financial assets (Note 10)	15,764	27,733	11,813
Total comprehensive income	₱8,106,347	₱6,315,787	₱4,692,842
Total comprehensive income attributable to:			
Equity holders of Ayala Land, Inc.	₱7,153,567	₱5,482,173	₱4,040,065
Non-controlling interests	952,780	833,614	652,777
	₱8,106,347	₱6,315,787	₱4,692,842

See accompanying Notes to Consolidated Financial Statements.



AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Par Value and Cash Dividends Per Share Figures)

	Years Ended December 31		
	2011	2010	2009
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF AYALA LAND, INC.			
Common Shares - ₱1.00 par value (Note 20)			
Issued			
Balance at beginning of year	₱13,012,004	₱13,005,338	₱13,003,443
Issuance of shares	10,767	6,666	1,895
Balance at end of year	13,022,771	13,012,004	13,005,338
Subscribed			
Balance at beginning of year	96,468	75,470	39,088
Additions	14,216	27,664	38,277
Issuance of shares	(10,767)	(6,666)	(1,895)
Balance at end of year	99,917	96,468	75,470
Preferred Shares - ₱0.10 par value (Note 20)			
Balance at beginning and end of year	1,303,460	1,303,460	1,303,460
Additional Paid-in Capital			
Balance at beginning of year	4,614,184	4,326,935	4,179,971
Additions	273,114	287,249	146,964
Balance at end of year	4,887,298	4,614,184	4,326,935
Subscriptions Receivable			
Balance at beginning of year	(344,968)	(262,770)	(168,057)
Additions	(138,337)	(159,282)	(111,309)
Collections	130,065	77,084	16,596
Balance at end of year	(353,240)	(344,968)	(262,770)
Total Paid-up Capital			
	18,960,206	18,681,148	18,448,433
Retained Earnings (Note 20)			
Appropriated for future expansion	6,000,000	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	32,756,821	28,570,354	25,371,619
Cash dividends			
Common stock - ₱0.15 per share in 2011 and ₱0.09 per share in 2010 and ₱0.06 per share in 2009	(1,911,088)	(1,211,186)	(780,040)
Preferred stock - ₱0.005 or 4.64%	(60,481)	(60,481)	(60,481)
Net income	7,140,308	5,458,134	4,039,256
Balance at end of year	37,925,560	32,756,821	28,570,354
	43,925,560	38,756,821	34,570,354

(Forward)



	Years Ended December 31		
	2011	2010	2009
Stock Options Outstanding (Note 29)			
Balance at beginning of year	₱202,500	₱180,930	₱106,281
Cost of stock options	32,540	34,923	79,977
Stock options exercised	(2,742)	(13,353)	(5,328)
Balance at end of year	232,298	202,500	180,930
Unrealized Gain on Available-for-sale			
Financial Assets (Note 10)			
Balance at beginning of year	40,650	16,611	15,802
Net changes during the year	13,259	24,039	809
Balance at end of year	53,909	40,650	16,611
Other Reserves (Note 2)	8,960	-	-
Treasury Stock (Note 20)			
Balance at beginning and end of year	(823,967)	(823,967)	(823,967)
NON-CONTROLLING INTERESTS			
Balance at beginning of year	8,612,976	6,802,539	6,151,050
Net income	950,275	829,920	641,773
Net increase in non-controlling interests	672,369	1,392,471	492,155
Dividends paid to non-controlling interests	(552,579)	(415,648)	(493,443)
Net gain on available-for-sale financial assets	2,505	3,694	11,004
Balance at end of year	9,685,546	8,612,976	6,802,539
	₱72,042,512	₱65,470,128	₱59,194,900
Total Comprehensive Income			
Net income attributable to:			
Equity holders of Ayala Land, Inc.	₱7,140,308	₱5,458,134	₱4,039,256
Non-controlling interests	950,275	829,920	641,773
	8,090,583	6,288,054	4,681,029
Net gain on available-for-sale financial assets:			
Equity holders of Ayala Land, Inc. (Note 10)	13,259	24,039	809
Non-controlling interests	2,505	3,694	11,004
	15,764	27,733	11,813
	₱8,106,347	₱6,315,787	₱4,692,842

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱10,709,728	₱7,860,204	₱5,845,938
Adjustments for:			
Depreciation and amortization (Notes 13, 14 and 23)	2,303,713	1,807,481	1,787,398
Interest expense (Note 23)	1,838,897	1,481,101	1,421,742
Dividends received from investees (Note 12)	311,928	273,223	218,619
Cost of share-based payments (Note 29)	178,791	177,201	148,582
Unrealized loss (gain) on financial assets at fair value through profit or loss (Note 23)	–	9,338	654
Realized loss (gain) on financial assets at fair value through profit or loss (Note 23)	(4,423)	466	(25,156)
Gain on sale of property and equipment	(964)	(129)	–
Equity in net earnings of associates and jointly controlled entities (Note 12)	(898,550)	(905,645)	(968,004)
Interest income	(1,532,491)	(1,065,205)	(1,116,827)
Gain on sale of investments (Note 23)	(118,403)	–	–
Provision for impairment losses on (Note 23):			
Receivables	46,720	–	–
Investment properties	147,000	–	–
Land and improvements	–	–	568,672
Operating income before changes in working capital	12,981,946	9,638,035	7,881,618
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable - trade	(5,006,654)	(115,451)	(1,873,837)
Real estate inventories	(6,538,497)	(718,304)	90,630
Other current assets (Note 9)	(2,174,354)	(587,491)	399,772
Increase (decrease) in:			
Accounts and other payables	12,766,342	6,015,408	(1,367,262)
Other current liabilities (Note 18)	(907,557)	(118,580)	1,136,725
Other deposit liabilities (Note 19)	(310,662)	(378,613)	(101,739)
Pension liabilities (Note 27)	(14,159)	34,282	(45,593)
Cash generated from operations	10,796,405	13,769,286	6,120,314
Interest received	1,582,382	1,150,195	999,236
Income tax paid	(2,240,388)	(2,290,409)	(1,325,632)
Interest paid	(1,735,121)	(1,461,938)	(1,384,069)
Net cash provided by operating activities	8,403,278	11,167,134	4,409,849

(Forward)



	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Sale/redemption of investments and financial assets at fair value through profit or loss	₱1,974,203	₱6,009,428	₱1,369,401
Sale of available-for-sale financial assets	16,295	-	74,458
Disposal of property and equipment	65,792	120,146	147,506
Additions to:			
Short-term investments and financial assets at fair value through profit or loss	-	(1,434,337)	(3,552,053)
Available-for-sale financial assets (Note 10)	(16,509)	-	(1,256,622)
Land and improvements	(3,174,967)	(1,800,331)	(3,193,794)
Investments in associates and jointly controlled entities	(1,389,622)	(196,349)	(132,313)
Investment properties (Note 13)	(5,519,903)	(1,820,990)	(2,643,249)
Property and equipment (Note 14)	(2,308,560)	(1,146,018)	(1,353,667)
Acquisition of subsidiary, net of cash acquired (Note 25)	-	(1,663,848)	-
Decrease (increase) in accounts and notes receivable - nontrade	(2,675,802)	(586,343)	935,885
Decrease (increase) in other noncurrent assets	(921,250)	(876,837)	198,050
Net cash used in investing activities	(13,950,323)	(3,395,479)	(9,406,398)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt (Note 17)	17,894,765	7,915,294	3,584,276
Payments of short and long-term debt (Note 17)	(4,334,927)	(5,838,147)	(1,523,642)
Increase (decrease) in deposits and other noncurrent liabilities	925,975	(1,025,614)	1,638,594
Capital infusion by non-controlling interests in consolidated subsidiaries	728,169	144,057	623,828
Redemption of non-controlling interests in consolidated subsidiaries	(55,800)	(104,930)	(120,100)
Proceeds from capital stock subscriptions	130,065	77,084	16,596
Dividends paid to non-controlling interests	(552,579)	(415,648)	(493,443)
Dividends paid to equity holders of Ayala Land, Inc. (Note 20)	(2,604,217)	(1,033,670)	(856,236)
Net cash provided by (used in) financing activities	12,131,451	(281,574)	2,869,873
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,584,406	7,490,081	(2,126,676)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	18,018,807	10,528,726	12,655,402
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱24,603,213	₱18,018,807	₱10,528,726

See accompanying Notes to Consolidated Financial Statements.



AYALA LAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Ayala Land, Inc. (the Company) was incorporated in the Republic of the Philippines. The Company's parent is Ayala Corporation (AC). AC is a publicly-listed company, 52.61%-owned by Mermac, Inc., 10.93%-owned by Mitsubishi Corporation and the rest by the public. The Company's registered office and principal place of business is Tower One, Ayala Triangle, Ayala Avenue, Makati City.

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

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 were endorsed for approval by the Audit Committee on February 15, 2012 and were approved and authorized for issue by the Board of Directors (BOD) on February 20, 2012.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and available-for-sale (AFS) financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency and all values are rounded to the nearest thousand (₱000) except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31 2011.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.



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

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

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

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

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

	Percentages of Ownership	
	2011	2010
Real Estate:		
Alveo Land Corporation (Alveo)	100%	100%
Serendra, Inc.	39	39
Solinea, Inc. (formerly Bigfoot Palms, Inc.)	65	-
Serendra, Inc.	28	28
Amorsedia Development Corporation and Subsidiaries	100	100
OLC Development Corporation	100	100
Ayala Greenfield Development Corporation (AGDC)	50	50
Avida Land Corporation and Subsidiaries (Avida)	100	100
Amaia Land Co. (Amaia) (formerly First Realty Communities, Inc.)	100	100
Ayala Land International Sales, Inc.	100	100
Ayala Land Sales, Inc.	100	100
Buendia Landholdings, Inc.	100	100
Crans Montana Holdings, Inc.	100	100
Crimson Field Enterprises, Inc.	100	100
Ecoholdings Company, Inc. (ECI)	100	100
NorthBeacon Commercial Corporation (NBCC)	100	100
Red Creek Properties, Inc.	100	100
Regent Time International, Limited (Regent Time) (British Virgin Islands)	100	100
Asterion Technopod, Incorporated (ATI)	100	100
Crestview E-Office Corporation (CeOC)	100	100
Gisborne Property Holdings, Inc.	100	100
Hillsford Property Corporation (HPC)	100	100

(Forward)



	Percentages of Ownership	
	2011	2010
Primavera Towncentre, Inc. (PTI)	100%	100%
Summerhill E-Office Corporation (Summerhill)	100	100
Sunnyfield E-Office Corporation (Sunnyfield)	100	100
Subic Bay Town Centre, Inc.	100	100
Regent Wise Investments Limited (Regent Wise) (Hongkong company)	100	100
AyalaLand Commercial REIT, Inc. (ALCRI)	100	100
Arvo Commercial Corporation	100	-
BellaVita Land Corporation	100	-
Nuevo Centro, Inc.	100	-
ALI Property Partners Holding Corp. (APPHC) (Note 25)	-	80
ALI Property Partners Corp. (APPCo) (Note 25)	-	60
APPCo (Note 25)	68	20
Laguna Technopark, Inc.	75	75
Aurora Properties Incorporated	70	70
Vesta Property Holdings, Inc.	70	70
Station Square East Commercial Corporation (SSECC)	69	69
Asian I-Office Properties, Inc. (AiO)	60	60
Accendo Commercial Corp. (Accendo)	67	67
Cagayan de Oro Gateway Corp	51	-
Ceci Realty, Inc.	60	60
CMPI Holdings, Inc.	60	60
ALI-CII Development Corporation (ALI-CII)	50	50
Roxas Land Corporation (RLC)	50	50
Construction:		
Makati Development Corporation and Subsidiaries (MDC)	100	100
Hotels and Resorts:		
Ayala Hotels, Inc. (AHI)	50	50
AyalaLand Hotels and Resorts Corporation (AHRC) and Subsidiaries	100	100
Enjay Hotels, Inc.	100	100
Greenhaven Property Venture, Inc.	100	100
Cebu Insular Hotel Company, Inc.	63	63
Ten Knots Phils, Inc. (TKPI) (Note 25)	60	60
Ten Knots Development, Corp. (TKDC) (Note 25)	60	60
Property Management:		
Ayala Property Management Corporation (APMC)	100	100
Ayala Theatres Management, Inc. and Subsidiaries	100	100
Entertainment:		
Five Star Cinema, Inc.	100	100
Leisure and Allied Industries Philippines, Inc. (LAI)	50	50
Others:		
MZM Holdings, Inc. (MZM)	100	100
ALInet.com, Inc. (ALInet)	100	100
First Longfield Investments Limited (First Longfield) (Hongkong company)	100	100
Food Court Company, Inc.	100	100
Aprisa Business Process Solutions, Inc.	100	100
Studio Ventures, Inc.	100	100
Directpower Services, Inc. (Directpower)	100	-
Philippine Integrated Energy Solutions, Inc. (PhilEnergy)	60	100



AC owns the other 50% of AHI. The Company exercises control over AHI. Likewise, the Company, through its 50% effective ownership and by virtue of a management contract or shareholders' agreement, exercises control over the operations and management of RLC, AGDC, ALI-CII and LAI. Accordingly, the accounts of AHI, RLC, AGDC, ALI-CII and LAI are consolidated to the accounts of the Company.

The following entities were organized in 2011:

Directpower Services, Inc., (Directpower), a wholly owned subsidiary of the Company, was formed on September 14, 2011 to engage in the bulk purchase and supply of electricity and to introduce various energy solutions.

Arvo Commercial Corporation (ACC), a wholly owned subsidiary of the Company, was established on June 23, 2011 primarily to develop and operate shopping malls within the Company's identified growth areas across the country.

Cagayan De Oro Gateway Corp. was established to pursue a mixed-use development with a 47,000 square meter regional mall as its centerpiece. A 150-room boutique hotel shall be located on top of the mall, while a single tower residential condominium with 21 floors and 522 rooms shall be located right beside the mall. The project is strategically located in the economic hub of Cagayan de Oro City.

Nuevo Centro, Inc., a wholly-owned subsidiary of the Company, was established on April 15, 2011 to acquire and hold real estate properties for the purpose of developing them into large-scale, mixed-used and masterplanned communities.

BellaVita Land Corp. (formerly South Maya Ventures Corp.), wholly-owned subsidiary of the Company, aims to establish the country's first social enterprise community development targeting minimum wage earners and members of the informal business sector. Its first project in General Trias, Cavite was launched in December 2011.

Also, on March 5, 2011, the Group through Alveo acquired a landholding entity, by way of acquisition of shares of stock of Solinea, Inc. (formerly Bigfoot Palms, Inc.) which was incorporated and registered on April 2, 2007 with the purpose of developing properties particularly located in Cebu Business Park to generate future income.

Alveo purchased 16.25 million shares of Solinea, Inc. for ₱230.8 million, representing 65% of shares of stock, while Cebu Holdings, Inc. (CHI), an associate, purchased the remaining 8.75 million shares for ₱124.2 million, representing 35% of shares of stock.

The following entities were organized in 2010:

ALI established a wholly-owned subsidiary, AHRC, and infused cash in the latter to acquire Enjay Hotels, Inc., GPVI and CIHCI from AHI. As such, AHRC becomes the holding company for the Group's hotel operations.

Regent Wise, a wholly-owned subsidiary of ALI, signed an Equity Joint Venture Agreement with Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd for the development of a 9.78 hectare residential project in China. The project will be located in Tianjin Eco-city ("the Eco-City"), a 3,000 hectare collaboration between the Chinese and Singaporean governments which will showcase future direction of urban planning and sustainable development.



Amaia, a subsidiary of Avida, is now a wholly owned subsidiary of the Company, established to pursue a planned expansion of residential development operations to cater to the country's economic housing segment. Additional capital infusion was made by the Company in 2011 to fund Amaia's planned expansion program for the next five years.

ALCRI was formed in September as a vehicle through which the Company will own and operate selected investment properties and which the Company intends to undertake an initial public offering under the recently passed Republic Act 9856 or the Philippines Real Estate Investment Trust (REIT) Law. Said investment properties shall include prime shopping center and office assets currently owned by the Company which are mature, have recurring income streams and have achieved stable occupancy rates.

PhilEnergy is a wholly owned subsidiary established for the supply and operations of a district cooling system, performance contracting by introducing various energy solutions and bulk purchase of electricity.

In 2011, the Company sold its 40% interest in PhilEnergy for ₱137.0 million. Gain on sale recognized as other reserves amounted to ₱9.0 million.

Aprisa Business Solutions, Inc. is also a wholly-owned subsidiary of the Company that will initially manage transactional accounting services.

Adoption of New and Amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) interpretations which became effective January 1, 2011. Except as otherwise indicated, the adoption of the new and amended standards and interpretations did not have any significant impact on the Group's financial statements.

PAS 24 (Amended), Related Party Disclosures

The amendment clarified the definition of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

PAS 32, Financial Instruments: Presentation (Amendment) - Classification of Rights Issues

The amendment altered the definition of a financial liability in order to classify rights issues and certain options or warrants as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

Philippine Interpretation IFRIC 14 (Amendment), Prepayments of a Minimum Funding Requirement

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.



Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

The interpretation clarified that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010

- PFRS 3, *Business Combinations*

This amendment clarifies that the Amendments to PFRS 7, *Financial Instruments: Disclosures*, PAS 32, *Financial Instruments: Presentation* and PAS 39, *Financial Instruments: Recognition and Measurement*, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of PFRS 3 (as revised in 2008).

It also limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at their acquisition date fair value, unless another measurement basis is required by another PFRS.

The amendment also requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post-combination expenses. However, if the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognized as post-combination expenses. It further specifies the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested - they are part of non-controlling interest and measured at their market-based measure; if unvested - they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interest and post-combination expense.

- PFRS 7, *Financial Instruments: Disclosures*

This amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures are as follows:

- a. Clarify that only financial asset whose carrying amounts do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
- b. Requires, for all financial assets, to disclose the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
- c. Remove the disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
- d. Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
- e. Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.



- *PAS 1, Presentation of Financial Statements*
This Amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the consolidated financial statements.
- *PAS 27, Consolidated and Separate Financial Statements*
This Amendment clarifies that the consequential amendments from PAS 27 made to PAS 21, *The Effect of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* apply prospectively for annual periods beginning on or after July 1, 2009 or earlier when PAS 27 is applied earlier.
- *Philippine Interpretation IFRIC 13, Customer Loyalty Programmes*
This Amendment clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Future Changes in Accounting Policies

The Group will adopt the following amended standards and Philippine Interpretations 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.

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, *Construction Contracts*, 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 Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The adoption of this Philippine Interpretation may significantly affect the determination of the revenue from real estate sales and the corresponding costs, and the related trade receivables, deferred tax liabilities and retained earnings accounts. The Group is in the process of quantifying the impact of adoption of this Interpretation.

Effective 2012

PAS 12, Income Taxes (Amendment) - Deferred Tax: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset.



PFRS 7, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets.

Effective 2013

PFRS 10, Consolidated Financial Statements

PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

PAS 1, Financial Statement Presentation - Presentation of Items of Other Comprehensive Income

The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance.

PAS 19, Employee Benefits (Amendment)

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The Group is currently assessing the impact of the amendment to PAS 19.

PFRS 7, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (c) from the amounts in (d) above.



PFRS 11, Joint Arrangements

PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. This Standard eliminates proportionate consolidation of jointly controlled entities, instead, jointly controlled entities, if classified as joint ventures (a newly defined term), must be accounted for using the equity method. Additionally, jointly controlled assets and operations are joint operations under PFRS 11, and the accounting for those arrangements will generally be consistent with today's accounting. That is, the entity will continue to recognize its relative share of assets, liabilities, revenues and expenses.

PFRS 12, Disclosures of Interests with Other Entities

This standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

PFRS 13, Fair Value Measurement

This standard does not change when an entity is required to use fair value but, rather, provides guidance on how to measure fair value under PFRS when fair value is required or permitted by PFRS. This standard was intended to reduce complexity, improve consistency in application when measuring fair value and enhance disclosures. PFRS 13 is effective for annual periods beginning on or after January 1, 2013 and should be applied prospectively.

Revised PAS 27, Separate Financial Statements

This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard provides the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements and requires an entity preparing separate financial statements to account for those investments at cost or in accordance with PFRS 9. This Standard is issued concurrently with PFRS 10 and together, the two PFRSs will supersede PAS 27 (as amended in 2008). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.

Revised PAS 28, Investment in Associates and Joint Ventures

This standard has been revised as a result of issuance of PFRS 10, 11, and 12. The revised standard prescribes the accounting for investments in associates and joint ventures. Equity method is defined in the revised standard as a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes its share of the profit or loss of the investee and the other comprehensive income of the investor includes its share of other comprehensive income of the investee. The revised standard is to be applied by all entities that are investors with joint control of, or significant influence or owns 20% to 50% interest over, an investee. This standard supersedes PAS 28 (as revised in 2003). Revised PAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted provided that PFRS 10, 11, 12 and PAS 28 (as amended in 2011) are applied simultaneously and with additional disclosure of the fact.



Effective 2014

PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities

These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements.

Effective 2015

PFRS 9, Financial Instruments: Classification and Measurement

PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. In subsequent phases, hedge accounting, impairment and derecognition of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

The Group has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2011 annual financial reporting. The Group shall conduct in early 2012 another impact evaluation using outstanding balances of financial statements as of December 31, 2011. The Group’s decision whether to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 financial reporting shall be disclosed in its interim financial statements as of March 31, 2012.

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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



Determination of fair value

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

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

“Day 1” difference

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

Financial assets and financial liabilities at FVPL

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

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

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

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



As of December 31, 2010, the Group holds its “Treasury bonds and Treasury bills” for trading purposes and classifies them as financial assets at FVPL. The Group has not designated any financial asset as at FVPL. These financial assets already matured during 2011.

HTM investments

HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate.

The amortization is included in interest income in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income under “Other income” or “Other charges” when the HTM investments are derecognized and impaired, as well as through the amortization process.

As of December 31, 2011 and 2010, the Group has no HTM investments.

Loans and receivables

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

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

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

AFS financial assets

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

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

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



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

When the fair value of the AFS financial assets cannot be measured reliably because of lack of reliable estimation of future cash flows and discount rates necessary to calculate the fair value of computed equity instruments, these investments are carried at cost less allowance for impairment losses.

AFS financial assets are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from reporting date.

Other financial liabilities

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

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

This accounting policy applies primarily to the Group’s short-term and long-term debts, accounts and other payables, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension).

Deposits and Retentions Payable

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

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

Derecognition of Financial Assets and Liabilities

Financial asset

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

- a. the rights to receive cash flows from the asset have expired;
 - b. the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement;
- or



- c. the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

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

Financial liability

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

Impairment of Financial Assets

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

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

Loans and receivables

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

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



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

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

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

Financial asset carried at cost

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

AFS financial assets

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

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income in the "Other charges" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in equity through the consolidated statement of comprehensive income.

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



Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position, if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land cost
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

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

The cost of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Club shares are stated at the lower of cost and NRV. The cost of club shares sold is determined on the basis mainly of the actual development cost incurred plus the estimated development cost to complete the project based on the estimates as determined by the in-house engineers, adjusted with the actual costs incurred as the development progresses, including borrowing costs during the development stage. NRV is the estimated selling price less estimated cost to complete and sell.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

Materials, Parts and Supplies

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

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

Land and Improvements

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



Investments in Associates and Jointly Controlled Entities

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

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

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

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

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

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

Interest in a Joint Venture

MDC has an interest in a joint venture, whereby the venturers have a contractual arrangement that establishes joint control. MDC recognizes its interest in the joint venture using proportionate consolidation. MDC combines its share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its financial statements. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies into line with those of MDC.



Adjustments are made in MDC's financial statements to eliminate MDC's share of unrealized gains and losses on transactions between MDC and the joint venture. Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the NRV of current assets or an impairment loss. The joint venture is proportionately consolidated until the date on which the Group ceases to have joint control over the joint venture.

Investment Properties

Investment properties comprise completed property and property under construction or re-development that are held to earn rentals or capital appreciation or both and that are not occupied by the companies in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and amortization and any impairment in residual value. Land is carried at cost less any impairment in value.

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

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

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

The estimated useful lives of investment properties follow:

	Years
Land improvements	8-40
Buildings	20-40

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

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

Property and Equipment

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



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

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

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

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

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

Intangible Assets

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

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

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

As of December 31, 2011 and 2010, intangible asset pertaining to leasehold right is included under "Other noncurrent assets".



Business Combinations and Goodwill

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

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

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

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

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

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

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

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present



value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

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

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

Investments in associates and jointly controlled entities

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

Provisions

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

Pension Cost

Pension cost is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Pension cost includes current service cost, interest cost, expected return on any plan assets, actuarial gains and losses and the effect of any curtailment or settlement.



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

Actuarial gains and losses is recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined benefit obligation or 10% of the fair value of plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

Share-based Payments

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

PFRS 2 Options

For options granted after November 7, 2002 that have not vested on or before January 1, 2005, the cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the Black-Scholes model, further details of which are given in Note 29.

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

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

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

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

Pre-PFRS 2 Options

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



The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see Note 28).

Employee Share Purchase Plans

The Company has an employee share purchase plan (ESOWN) which allows the grantees to purchase the Company's shares at a discounted price. The Company recognizes the difference between the market price at the time of subscription and the subscription price as stock compensation expense over the holding period. Where the subscription receivable is collectible over more than one year, the subscription price is adjusted for the time value and treated as additional stock compensation expense. For the unsubscribed shares where the employees still have the option to subscribe in the future, these are accounted for as options.

Equity

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

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

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

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

Revenue and Cost Recognition

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

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

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee (PIC) Q&A No. 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be



incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the “Other current liabilities” account in the liabilities section of the consolidated statement of financial position.

If any of the criteria under the full accrual or percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the “Other current liabilities” account in the liabilities section of the consolidated statement of financial position.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Company’s in-house technical staff.

Revenue from construction contracts included in the “Real estate” account in the consolidated statement of income is recognized using the percentage-of-completion method, measured principally on the basis of the estimated physical completion of the contract work.

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

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

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

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

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

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

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

Commissions

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



Expenses

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

Borrowing Costs

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

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

Leases

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

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

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

Group as Lessee

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

Group as Lessor

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



Current Tax

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

Deferred Tax

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

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

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

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

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

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

Comparative Information

PAS 1, *Presentation of Financial Statements*, requires an entity to present a statement of financial position as at the beginning of the earliest period when it reclassifies items in its financial statements. The Group identified certain trade receivables as noncurrent as of December 31, 2010 and corrected certain investment properties and liabilities to be presented as inventories and other noncurrent assets and land and improvements, respectively.

However, management believes that the presentation of a statement of financial position as at the beginning of the earliest period presented is no longer necessary since the amount of assets reclassified from current to noncurrent trade receivables and certain investment properties to be presented as real estate inventories and other noncurrent assets is not material to the financial statements as it comprise only -2.22%, -0.51%, -2.65%, and -1.10% of total current assets, total assets, total noncurrent liabilities, and total liabilities, respectively. The reclassification has no effect on profit or loss and equity since the transfers were between current and noncurrent assets.



As a result, the December 31, 2010 balances in the statement of financial position were restated to enhance inter-period comparability.

Foreign Currency Transactions

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

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

Earnings Per Share (EPS)

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 31 of the consolidated financial statements.

Contingencies

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

Events after the Reporting Period

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



3. Significant Accounting Judgments and Estimates

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all significant risks and rewards of ownership of the property as the Group considered, among others, the length of the lease term as compared with the estimated life of the assets.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers among others, the significance of the penalty, including the economic consequence to the lessee.

Operating lease commitments - Group as lessee

The Group has entered into lease contracts with various parties to develop commercial or retail properties. The Group has determined that all significant risks and rewards of ownership of these properties are retained by the lessor.

Classification of property

The Group determines whether a property is classified as investment property or inventory property as follows:

- Investment property comprises land and buildings (principally offices, commercial and retail property) which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential and industrial property that the Group develops and intends to sell before or on completion of construction.

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.



Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately at the reporting date, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Distinction between real estate inventories and land and improvements

The Group determines whether a property will be classified as Real estate inventories or Land and land improvements. In making this judgment, the Group considers whether the property will be sold in the normal operating cycle (Real estate inventories) or whether it will be retained as part of the Group's strategic landbanking activities for development or sale in the medium or long-term (Land and improvements).

Property acquisitions and business combinations

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 on ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognised.

Collectibility of the sales price

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

Impairment of AFS equity investments

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

Contingencies

The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material effect on the Group's consolidated financial statements (see Note 35).



Management's Use of Estimates

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

Revenue and cost recognition

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

Estimating allowance for impairment losses

The Group maintains allowance for impairment losses based on the result of the individual and collective assessment under PAS 39. Under the individual assessment, the Group is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Group to classify its receivables based on the credit risk characteristics (customer type, payment history, past-due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year. See Note 7 for the related balances.

Evaluation of net realizable value of real estate inventories

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

Evaluation of asset impairment

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

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect investments in associates and jointly controlled entities, investment properties, land and improvements, property and equipment, and other noncurrent assets. See Notes 11, 12, 13, 14 and 15 for the related balances.



Estimating useful lives of property and equipment and investment properties

The Group estimates the useful lives of its property and equipment and investment properties based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could materially be affected by changes in estimates brought about by changes in factors mentioned above. See Notes 13 and 14 for the related balances.

Deferred tax assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized. The Group looks at its projected performance in assessing the sufficiency of future taxable income. See Note 24 for the related balances.

Share-based payments

The expected life of the options is based on the expected exercise behavior of the stock option holders and is not necessarily indicative of the exercise patterns that may occur. The volatility is based on the average historical price volatility which may be different from the expected volatility of the shares of stock of the Group. See Note 29 for the related balances.

Estimating pension obligation and other retirement benefits

The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 27 and include among others, discount rate, expected return on plan assets and salary increase rate. While the Group believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions materially affect retirement obligations. See Note 27 for the related balances.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded or disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology. See Notes 19 and 30 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	2011	2010
	(In Thousands)	
Cash on hand and in banks	₱5,081,820	₱3,667,807
Cash equivalents	19,521,393	14,351,000
	₱24,603,213	₱18,018,807



Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term rates.

The range of interest rates of the cash equivalents follow:

	2011	2010
Philippine Peso	1.3% to 4.9%	1.0% to 4.5%
US Dollar	0.3% to 2.0%	0.3% to 2.1%

5. Short-term Investments

Short-term investments consists of money market placements made for varying periods of more than three (3) months and up one (1) year and earn interest at the respective short-term investment rates.

The range of interest rates of the short-term investments follows:

	2011	2010
Philippine Peso	–	3.7% to 4.5%
US Dollar	1.9% to 2.0%	1.9% to 2.3%

6. Financial Assets at FVPL

These are held-for-trading treasury bonds and treasury bills which have yield to maturity of nil and 1.3% in 2011 and 2010, respectively. The Group's remaining Financial Assets at FVPL with an aggregate face value of ₱400.0 million matured in 2011.

As of December 31, 2011, 2010 and 2009, the unrealized loss of financial assets at FVPL amounted to nil, ₱9.3 million and ₱0.7 million, respectively. Net changes in fair value amounted to ₱4.9 million, ₱8.6 million and ₱0.7 million in 2011, 2010 and 2009, respectively.

7. Accounts and Notes Receivable

This account consists of:

	2011	2010
	(In Thousands)	
Trade:		
Residential development	₱14,558,803	₱10,621,686
Construction contracts	1,877,480	1,035,226
Shopping centers	1,101,053	1,022,431
Corporate business	592,408	558,019
Management fees	50,482	65,573
Others	741,459	595,936

(Forward)



	2011	2010
	(In Thousands)	
Advances to contractors and suppliers	₱3,767,890	₱2,741,525
Advances to other companies	2,507,834	1,749,701
Receivable from related parties (Note 26)	1,750,055	1,451,449
Accrued receivable	1,597,219	1,037,983
Receivables from employees	431,515	464,104
Investment in bonds classified as loans and receivables	200,000	200,000
	29,176,198	21,543,633
Less allowance for impairment losses	304,153	257,433
	28,872,045	21,286,200
Less noncurrent portion	7,293,682	4,859,833
	₱21,578,363	₱16,426,367

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

- Residential development - pertains to receivables from the sale of high-end, upper middle-income, affordable residential lots and units, economic housing development, and leisure community developments
- Construction contracts - pertain to receivables from third party construction projects
- Shopping centers - pertain to lease receivables of retail space
- Corporate business - pertain to lease receivables of office and factory buildings and receivables from the sale of office buildings and industrial lots
- Management fees - pertain to fees receivable from facility management

The sales contracts receivable, included under residential development, are collectible in monthly installments over a period of one (1) to ten (10) years and bear annual interest rates ranging from 2.15% to 20.0% computed on the diminishing balance of the principal. Titles to real estate properties are not transferred to the buyers until full payment has been made.

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

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

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

Receivables from related parties, advances to other companies and accrued receivables are due and demandable. Receivables from employees pertain to housing, car, salary and other loans granted to the Group's employees which are collectible through salary deduction, are interest bearing and has various maturity dates.

Investment in bonds classified as loans and receivables pertain to the Company's investment in Land Bank of the Philippines (LBP) 7.25% unsecured subordinated notes due 2019, callable with step-up interest in 2014. Fitch Ratings assigned a National Long-term rating of AA (phl) to LBP.



Receivables amounting to ₱304.2 million and ₱257.4 million as of December 31, 2011 and 2010, respectively, were impaired and fully provided for. Movements in the allowance for impairment losses follow:

2011

	Trade				Others	Advances to Other Companies	Total
	Shopping Centers	Residential Development	Construction Contracts	Management Fees			
	(In Thousands)						
Balance at beginning of year	₱153,725	₱17,122	₱5,927	₱4,383	₱63,902	₱12,374	₱257,433
Provisions during the period (Note 23)	2,144	5,988	-	-	63	44,355	52,550
Reversal (Note 23)	-	-	-	-	(4,219)	-	(4,219)
Accounts written off	-	-	-	(1,168)	(443)	-	(1,611)
Balance at end of year	₱155,869	₱23,110	₱5,927	₱3,215	₱59,303	₱56,729	₱304,153
Individually impaired	₱143,261	₱9,555	₱5,927	₱3,215	₱59,303	₱45,409	₱266,670
Collectively impaired	12,608	13,555	-	-	-	11,320	37,483
Total	₱155,869	₱23,110	₱5,927	₱3,215	₱59,303	₱56,729	₱304,153
Gross amounts of receivables individually determined to be impaired	₱174,475	₱34,813	₱5,927	₱3,215	₱59,301	₱51,318	₱329,049

2010

	Trade				Others	Advances to Other Companies	Total
	Shopping Centers	Residential Development	Construction Contracts	Management Fees			
	(In Thousands)						
Balance at beginning of year	₱176,946	₱13,008	₱5,927	₱4,383	₱2,546	₱14,774	₱217,584
Provisions during the period (Note 23)	6,000	4,114	-	-	47,092	-	57,206
Acquisition through business combination (Note 25)	-	-	-	-	14,264	-	14,264
Reversal (Note 23)	(2,012)	-	-	-	-	-	(2,012)
Accounts written off	(27,209)	-	-	-	-	(2,400)	(29,609)
Balance at end of year	₱153,725	₱17,122	₱5,927	₱4,383	₱63,902	₱12,374	₱257,433
Individually impaired	₱142,511	₱9,555	₱5,927	₱4,383	₱59,339	₱1,054	₱222,769
Collectively impaired	11,214	7,567	-	-	4,563	11,320	34,664
Total	₱153,725	₱17,122	₱5,927	₱4,383	₱63,902	₱12,374	₱257,433
Gross amounts of receivables individually determined to be impaired	₱168,336	₱9,555	₱5,927	₱4,383	₱59,339	₱12,618	₱260,158

As of December 31, 2011 and 2010, Residential development, Advances to other companies and Receivables from employees with a nominal amount of ₱13,790.2 million and ₱12,758.4 million, respectively, were recorded initially at fair value. The fair value of the receivables was obtained by discounting future cash flows using the applicable rates of similar types of instruments.

Movements in the unamortized discount of the Group's receivables as of December 31, 2011 and 2010 follow:

	2011	2010
	(In Millions)	
Balance at beginning of the year	₱1,250	₱668
Additions during the year	2,380	1,180
Accretion for the year	(901)	(598)
Balance at end of the year	₱2,729	₱1,250

In 2011, the Group sold real estate receivables on a without recourse basis to Bank of the Philippines Islands (BPI) amounting to ₱322.8 million at an average discount rate of 6.27% (see Note 26). The discount on these receivables amounting to ₱37.3 million has been included under "Other expenses" in the consolidated statements of income (see Note 23).



Also, the Company entered in an agreement with BPI for the sale of interest bearing loans receivables from employees without recourse amounting to ₱306.0 million with 12% interest rate which resulted to a nil gain or loss (see Note 26).

8. Inventories

This account consists of:

	2011	2010
	(In Thousands)	
Real estate:		
Subdivision land for sale		
At cost	₱9,273,300	₱7,347,105
At NRV	936,183	936,183
Condominium, residential and commercial units		
for sale - at cost	11,356,871	5,731,054
Club shares - at cost	342,217	354,329
	₱21,908,571	₱14,368,671

Inventories recognized as cost of sales amounted to ₱14.6 billion and ₱12.1 billion in 2011 and 2010, respectively, and are included under “Real estate costs and expenses” in the consolidated statements of income. The Group recorded no provision for impairment in 2011 and 2010 while ₱78.1 million was provided in 2009 for the development cost of real estate inventories which may no longer be recovered (see Note 23).

9. Other Current Assets

This account consists of:

	2011	2010
	(In Thousands)	
Prepaid expenses	₱2,349,799	₱1,245,845
Creditable withholding tax	2,448,600	1,375,516
Value-added input tax - net	1,675,970	1,561,830
Deposits in escrow	147,529	317,597
Materials, parts and supplies - at cost	95,471	92,822
Advances to suppliers	63,336	13,141
Others	253,803	111,958
	₱7,034,508	₱4,718,709

Prepaid expenses mainly include prepayments for commissions, marketing fees, advertising and promotions, taxes and licenses, rentals and insurance.

The Group will be able to apply the creditable withholding taxes against income tax payable.

The value-added input tax is applied against value-added output tax. The remaining balance is recoverable in future periods.



Deposits in escrow pertain to the proceeds from the sale of Serendra's project. Under its temporary license to sell, all payments, inclusive of down payments, reservation, and monthly amortization, among others, made by the buyer within the selling period shall be deposited in an escrow account.

10. Available-for-sale Financial Assets

This account consists of investments in:

	2011	2010
	(In Thousands)	
Shares of stock:		
Unquoted	₱253,800	₱248,164
Quoted	168,597	168,612
Treasury bonds	216,933	219,540
	639,330	636,316
Net unrealized gain	71,112	55,348
	₱710,442	₱691,664

Investments in unquoted shares includes unlisted shares in public utility companies which the Group will continue to carry as part of the infrastructure that it provides for its real estate projects. These are carried at cost less impairment, if any.

In 2008, the Company purchased preferred shares from AC amounting to ₱100.0 million at a purchase price of ₱500 per share (included under quoted shares of stock).

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

	2011	2010
	(In Thousands)	
Balance at beginning of year	₱55,348	₱27,615
Fair value changes during the year	15,764	27,294
Fair value loss transferred to income	-	439
Balance at end of year	₱71,112	₱55,348

11. Land and Improvements

The rollforward analysis of this account follows:

	2011	2010
	(In Thousands)	
Cost		
Balance at beginning of year	₱16,561,902	₱18,066,397
Additions	4,049,285	2,282,734
Addition through business combination (Note 25)	-	1,361,645
Transfers*	(1,364,482)	(5,148,874)
Balance at end of year	19,246,705	16,561,902

(Forward)



	2011	2010
	(In Thousands)	
Allowance for Impairment		
Balance at beginning of year	₱510,125	₱780,752
Additions (Note 23)	-	-
Transfers*	-	(270,627)
Balance at end of year	510,125	510,125
	₱18,736,580	₱16,051,777

* *Transfers pertain to land to be developed for sale and included under "Inventories" accounts.*

In 2009, the Group recorded provision for impairment amounting to ₱568.7 million included under "Other charges" in the consolidated statement of income (see Note 23).

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

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

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

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



12. Investments in Associates and Jointly Controlled Entities

This account consists of:

	2011	2010
	(In Thousands)	
Acquisition cost	₱7,536,683	₱6,343,120
Accumulated equity in net earnings:		
Balance at beginning of year	4,502,926	3,870,504
Equity in net earnings during the year	898,550	905,645
Dividends received during the year	(311,928)	(273,223)
Balance at end of year	5,089,548	4,502,926
	₱12,626,231	₱10,846,046

The Group's equity in the net assets of associates and jointly controlled entities and the related percentages of ownership are shown below.

	Percentages of Ownership		Carrying Amounts	
	2011	2010	2011	2010
	(In Thousands)			
Jointly controlled entities:				
Emerging City Holdings, Inc. (ECHI)	50%	50%	₱3,682,241	₱3,491,810
Berkshires Holdings, Inc. (BHI)	50	50	1,578,080	1,496,466
Alabang Commercial Corporation (ACC)	50	50	616,562	616,809
BG West Properties, Inc. (BGW)	50	-	247,201	-
BG South Properties, Inc. (BGS)	50	-	195,419	-
BG North Properties, Inc. (BGN)	50	-	2,537	-
			6,322,040	5,605,085
Associates:				
Cebu Holdings, Inc. (CHI) and subsidiaries	47	47	2,264,852	2,105,149
North Triangle Depot Commercial Corporation (NTDCC)	49	49	1,336,389	1,435,913
Bonifacio Land Corp. (BLC)	10	10	1,160,722	1,133,133
ARCH Capital Asian Partners L.P.	8	8	739,106	485,620
Tianjin Eco-City Ayala Land Development Co., Ltd.	40	-	729,374	-
Lagoon Development Corporation (LDC)	30	30	58,301	65,964
KHI-ALI Manila, Inc. (KAMI)	60	60	12,375	11,144
KHI Manila Property, Inc.	20	20	572	1,803
ARCH Capital Management Co. Ltd. (ARCH Capital)	-	17	-	2,235
Others	-	-	2,500	-
			6,304,191	5,240,961
			₱12,626,231	₱10,846,046

As of December 31, 2011 and 2010, the Group had total commitments relating to the Group's interests in the joint ventures amounting to ₱826.7 million and ₱738.3 million, respectively (see Note 34).

The fair value of the investment in CHI amounted to ₱2,270.5 million and ₱2,268.4 million as of December 31, 2011 and 2010, respectively. CHI's subsidiary, CPVDC, owns 40% interest in AiO (see Note 2).



Financial information on the Company's proportionate share in its significant jointly controlled entities follows (in thousands):

ECHI and Subsidiaries	2011	2010
Current assets	₱2,734,449	₱2,832,414
Noncurrent assets	2,546,734	2,318,476
Total assets	5,281,183	5,150,890
Current liabilities	466,259	315,717
Noncurrent liabilities	481,457	496,362
Total liabilities	947,716	812,079
Net operating revenue	701,559	733,453
Costs and expenses	528,770	550,131
Net income	172,789	183,322
BHI and Subsidiaries	2011	2010
Current assets	₱30,087	₱110
Noncurrent assets	1,878,180	1,852,208
Total assets	1,908,267	1,852,318
Total liabilities	3,283	3,278
Net operating revenue	57,203	81,851
Costs and expenses	28	3,272
Net income	57,175	78,579
ACC	2011	2010
Current assets	₱255,302	₱344,420
Noncurrent assets	669,909	571,938
Total assets	925,211	916,358
Current liabilities	275,897	269,765
Noncurrent liabilities	150,225	141,152
Total liabilities	426,122	410,917
Net operating revenue	356,606	386,460
Costs and expenses	214,690	242,634
Net income	141,916	143,826

Financial information on the Company's significant associates follows (in thousands, except earnings per share):

CHI and Subsidiaries	2011	2010
Total assets	₱7,130,254	₱5,991,591
Total liabilities	2,101,863	1,267,014
Net operating revenue	1,348,890	1,447,183
Costs and expenses	883,876	1,001,920
Net income	465,014	445,263
Earnings per share	0.22	0.21
NTDCC	2011	2010
Total assets	₱7,242,779	₱7,478,888
Total liabilities	4,771,355	4,905,532
Net operating revenue	1,776,526	1,687,628
Costs and expenses	1,358,854	1,471,712
Net income	417,672	215,916



BLC and Subsidiaries	2011	2010
Total assets	₱42,852,341	₱41,363,598
Total liabilities	7,769,318	5,905,759
Net operating revenue	4,064,943	5,730,715
Costs and expenses	2,893,927	4,262,233
Net income	1,171,016	1,468,482
ARCH Capital Asian Partners L.P.	2011	2010
Total assets	₱17,984,045	₱17,803,775
Total liabilities	6,948,333	7,700,584
Net operating revenue	1,373,595	2,028,740
Costs and expenses	486,186	902,227
Net income	894,599	1,282,802

Investment in ECHI and BHI

On April 17, 2003, the following transactions were consummated pursuant to the terms and conditions of the Assignment Agreement (Agreement), dated February 8, 2003, among the Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Company, EHI and Metro Pacific Investment Corporation (MPIC) as amended:

- (a) The assignment to the Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPIC, pursuant to which, Larouge extended MPIC a loan in the principal amount of US\$90.0 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.38% of the outstanding shares in BLC. The consideration paid by the Company and EHI for such assignment was approximately US\$90 million, subject in part to foreign exchange adjustment.
- (b) The assignment to the Company and EHI acting in this instance through the joint venture corporation, Columbus Holdings, Inc. (Columbus) of the controlling interest in BLC representing 50.38% of BLC's outstanding capital stock. This assignment was effected by MPIC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655.0 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.55% of its outstanding capital stock.

The Agreement, as amended, also provides for the constitution of a pledge over 5% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Company and EHI jointly hold the 50.38% equity interest in BLC through ECHI and BHI. The Company and EHI assigned the notes receivable from MPIC to ECHI and BHI, which acquired the shares of stock of Columbus. Columbus directly owns the 50.38% interest in BLC. BLC owns 55% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development.

Columbus accounted for the acquisition of the 50.38% interest in BLC using the purchase method, resulting in a negative goodwill of ₱1.4 billion.



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

On July 31, 2008, the Group acquired, through the Company, Regent and Columbus, additional 4,360,178 shares of BLC from FBDC amounting to ₱689.0 million, equivalent to 7.66% ownership in BLC. In January and October 2009, a total of 2,295,207 BLC shares were acquired from Development Bank of the Philippines and MPIC, pertaining to the pledged shares, through Columbus amounting to ₱362.6 million. This resulted in an increase in the Group's effective interest in BLC to 45.05% as of December 31, 2009. In 2011, BLC redeemed its 3,485,050 preferred shares with an aggregate redemption price of ₱500.0 million.

The Company's 5.32% direct investment in BLC and 4.78% through Regent are accounted for using the equity method because the Company has significant influence over BLC.

Investment in BGW, BGS and BGN

BGW, BGS and BGN were incorporated on August 5, 10 and 5, 2011, respectively, to engage in the development of high-end, upper middle income and affordable residential and retail projects, respectively, in Bonifacio Global City.

Investment in ARCH Capital

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

The Company (through Green Horizons) and AC (through Fine State) both have interests in the fund management company, ARCH Capital, which is tasked to raise third party capital and pursue investments for the Fund. As of December 31, 2011 and 2010, the Company (through Green Horizon) and AC (through Fine State) owned a combined interest in ARCH Capital of nil and 50.0%, respectively.

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

As of December 31, 2011, the Company's remaining capital commitment with the Fund amounted to US\$4.6 million.



On March 7, 2011, the Company, AC and The Rohatyn Group completed an exchange of ownership interests in Arch Capital and ARCH Capital Asian Partners G.P. (a Cayman Islands company), with proceeds and carrying value of the investments as of the date of exchange amounting US\$3.8 million and US\$.4 million, respectively, resulted to a gain of US\$2.9 million, net of transaction costs, lodged in “Interest and investment income” account. The exchange in ownership interest will result in TRG acquiring the Company’s 17% stake and AC’s 33% interest. The completed exchange of ownership interests did not change the activities, management, focus, and shareholder structure of the ARCH Fund, with the Company retaining its current 8% stake in the fund.

The Company and AC exercise significant influence over the Fund by virtue of their interest in the general partner and in ARCH Capital. Accordingly, the Company and AC account for their investments in the Fund using the equity method of accounting.

Investment in KAMI

In December 2007, the Company entered into a joint venture with Kingdom Hotel Investments, Inc. (KHI) to develop a 7,377-square meter property along Makati Avenue corner Arnaiz Avenue (formerly Pasay Road) into a luxury hotel complex comprised of a 300-room Fairmont Hotel, a 30-suite Raffles Hotel and 189 Raffles branded private residences. The total project cost will be approximately US\$153.0 million.

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

The Company does not consolidate KAMI as it does not exercise control over it.

13. Investment Properties

The rollforward analysis of this account follows:

2011

	Land	Building	Construction in Progress	Total
	(In thousands)			
Cost				
Balance at beginning of year	₱1,893,826	₱28,215,394	₱3,223,649	₱33,332,869
Additions	1,323,748	1,689,313	3,595,369	6,608,430
Transfers	(33,815)	2,776,157	(2,913,513)	(171,171)
Write-off	-	(147,000)	-	(147,000)
Balance at end of year	3,183,759	32,533,864	3,905,505	39,623,128
Accumulated Depreciation				
Balance at beginning of year	-	7,588,043	-	7,588,043
Depreciation	-	1,544,774	-	1,544,774
Balance at end of year	-	9,132,817	-	9,132,817
Net Book Value	₱3,183,759	₱23,401,047	₱3,905,505	₱30,490,311



2010

	Land	Building	Construction in Progress	Total
	(In thousands)			
Cost				
Balance at beginning of year	₱1,919,425	₱26,734,284	₱2,178,395	₱30,832,104
Additions	365,768	209,742	2,334,007	2,909,517
Transfers	(391,367)	1,288,753	(1,288,753)	(391,367)
Retirement	–	(17,385)	–	(17,385)
Balance at end of year	1,893,826	28,215,394	3,223,649	33,332,869
Accumulated Depreciation				
Balance at beginning of year	–	6,508,094	–	6,508,094
Depreciation	–	1,091,558	–	1,091,558
Retirements	–	(11,609)	–	(11,609)
Balance at end of year	–	7,588,043	–	7,588,043
Net Book Value	₱1,893,826	₱20,627,351	₱3,223,649	₱25,744,826

Certain parcels of land are leased to several individuals and corporations. Some of the lease contracts provide, among others, that within a certain period from the expiration of the contracts, the lessee will have to demolish and remove any and all improvements (like buildings) introduced or built within the leased properties. Otherwise, the lessor will cause the demolition and removal thereof and charge the cost to the lessee unless the lessor occupies and appropriates the same for its use and benefit.

On March 5, 2011, the Group acquired Solinea, Inc., a landholding entity, whose investment properties amounted to ₱417.3 million (see Note 2).

The aggregate fair value of the Group's investment properties amounted to ₱182.4 billion and ₱167.7 billion as of December 31, 2011 and 2010, respectively.

The fair values of the investment properties were determined by independent professionally qualified appraisers. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and knowledgeable, willing seller in an arm's length transaction at the date of valuation.

The values of the land and condominium units were arrived using the Market Data Approach. In this approach, the value of the land and condominium units is based on sales and listings of comparable property registered within the vicinity. The technique of this approach requires the establishing of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Consolidated rental income from investment properties amounted to ₱8,137.2 million, ₱7,211.5 million, and ₱7,224.0 million in 2011, 2010 and 2009, respectively (see Note 21). Consolidated direct operating expenses arising from the investment properties amounted to ₱2.3 billion in 2011 and ₱2.5 billion in 2010 and ₱3.1 billion in 2009, respectively (see Note 23).

Depreciation and amortization expense pertaining to investment properties amounted to ₱1,544.8 million, ₱1,091.6 million and ₱946.4 million in 2011, 2010 and 2009, respectively (see Note 23).



14. Property and Equipment

The rollforward analysis of this account follows:

2011

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
(In thousands)						
Cost						
January 1	₱1,487,708	₱2,036,787	₱1,555,574	₱619,470	₱4,094,610	₱9,794,149
Additions	356,986	369,117	244,286	137,427	1,200,744	2,308,560
Disposals/Write-offs	(8,526)	(35,291)	(23,048)	(60,847)	(9,172)	(136,884)
Transfers	(225,835)	(255)	127,111	–	(158,332)	(257,311)
December 31	1,610,333	2,370,358	1,903,923	696,050	5,127,850	11,708,514
Accumulated Depreciation and Amortization						
January 1	565,445	1,515,206	1,136,489	368,336	2,040,684	5,626,160
Depreciation and amortization	114,420	217,564	167,285	90,470	169,200	758,939
Disposals	(6,694)	(30,789)	(9,846)	(15,986)	(8,741)	(72,056)
December 31	673,171	1,701,981	1,293,928	442,820	2,201,143	6,313,043
Net Book Value	₱937,162	₱668,377	₱609,995	₱253,230	₱2,926,707	₱5,395,471

2010

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	Hotel Property and Equipment	Total
(In thousands)						
Cost						
January 1	₱1,317,140	₱1,884,589	₱1,401,893	₱448,299	₱2,922,440	₱7,974,361
Additions	216,820	176,483	173,996	225,509	353,210	1,146,018
Disposals/Write-offs	(46,252)	(24,285)	(20,315)	(54,338)	(51,237)	(196,427)
Acquisition through business combination (Note 25)	–	–	–	–	870,197	870,197
December 31	1,487,708	2,036,787	1,555,574	619,470	4,094,610	9,794,149
Accumulated Depreciation and Amortization						
January 1	434,783	1,294,643	1,062,246	279,839	1,538,267	4,609,778
Depreciation and amortization	158,990	229,610	75,898	123,495	127,930	715,923
Acquisition through business combination (Note 25)	–	–	–	–	376,869	376,869
Disposals	(28,328)	(9,047)	(1,655)	(34,998)	(2,382)	(76,410)
December 31	565,445	1,515,206	1,136,489	368,336	2,040,684	5,626,160
Net Book Value	₱922,263	₱521,581	₱419,085	₱251,134	₱2,053,926	₱4,167,989

The consolidated depreciation and amortization of property and equipment (included under various consolidated statements of income accounts) amounted to ₱758.9 million, ₱715.9 million and ₱840.7 million in 2011, 2010 and 2009, respectively.

15. Other Noncurrent Assets

Other noncurrent assets consist of deferred charges, deposits, pension assets (see Note 27) and other assets.

As of December 31, 2011 and 2010, this account also includes leasehold right of a subsidiary amounting to ₱120.2 million and ₱126.8 million, respectively. This pertains to the right to use an island property expiring on December 31, 2029. The cost amounted to ₱127.4 million and accumulated amortization expense for 2011 and 2010 amounted to ₱7.2 million and ₱0.5 million, respectively. Amortization expense amounted to ₱6.7 million and ₱0.5 million in 2011 and 2010, respectively.



16. Accounts and Other Payables

This account consists of:

	2011	2010
	(In Thousands)	
Accounts payable	₱23,435,637	₱14,367,569
Accrued project costs	5,684,761	2,808,045
Accrued expenses	4,337,360	4,044,152
Taxes payable	2,461,943	2,123,293
Payable to related parties (Note 26)	1,049,592	860,825
Interest payable	478,852	211,235
Accrued salaries and employee benefits	291,992	249,238
Retention payable	218,979	119,051
Accrued rentals	163,156	475,858
Dividends payable	7,113	632,649
	₱38,129,385	₱25,891,915

Accounts payable and accrued expenses are noninterest-bearing and are normally settled on 15 to 60-day terms. Other payables are noninterest-bearing and are normally settled within one year.

Accrued expenses consist mainly of light and power, marketing costs, film share, professional fees, postal and communication, supplies, repairs and maintenance, transportation and travel, security, insurance and representation.

17. Short-term and Long-term Debt

The short-term debt of ₱4,638.8 million and ₱2,890.0 million in 2011 and 2010, respectively, represents unsecured peso-denominated bank loans and dollar-denominated bank loans of the Company and its subsidiaries. Interest rates for peso-denominated bank loans ranged from 3.50% to 5.00% per annum (p.a.) in 2011 and 3.50% to 5.78% p.a. in 2010. Interest rates for dollar-denominated bank loans of the Company, which amounted to ₱1,509.8 million and ₱643.0 million in 2011 and 2010, respectively, ranged from 1.18% to 2.01% in 2011 and 1.45% to 2.30% in 2010.

Long-term debt consists of:

	2011	2010
	(In Thousands)	
Company:		
Bonds		
Due 2012	₱325,390	₱194,600
Due 2013	4,417,900	4,204,030
Due 2014	173,715	-
Floating rate corporate notes (FRCNs)	1,000,000	10,000
Fixed rate corporate notes (FXCNs)	12,675,000	5,380,000
	18,592,005	9,788,630

(Forward)



	2011	2010
	(In Thousands)	
Subsidiaries:		
Bank loans - Philippine Peso	₱10,963,669	₱8,292,261
Bank loans - US Dollar	336,253	-
	11,299,922	8,292,261
	29,891,927	18,080,891
Less current portion	1,556,761	2,328,160
	₱28,335,166	₱15,752,731

The Company

Philippine Peso 5-Year Bond due 2013

In 2008, the Company issued ₱4,000.0 million bond due 2013 with fixed rate equivalent to 8.75% p.a. The Philippine Rating Services Corporation (PhilRatings) assigned a PRS Aaa rating on the bond indicating that it has the smallest degree of investment risk. Interest payments are protected by a large or by an exceptionally stable margin and principal is assured. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues. PRS Aaa is the highest credit rating possible on PhilRatings' rating scales for long-term issuances. PhilRatings maintained its rating of PRS Aaa for the ₱4,000.0 million bond in 2011 and 2010.

Philippine Peso Homestarter Bond due 2012

The Company launched a new issue of the Homestarter Bond in October 2009. The bond is to be issued over a series of 36 issues, once every month which commenced on October 16, 2009, up to ₱14.0 million per series or up to an aggregate issue amount of ₱504.0 million over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2011 and 2010, bonds issued amounted to ₱325.4 million and ₱194.6 million, respectively.

Philippine Peso Homestarter Bond due 2013

The Company launched another new issue of the Homestarter Bond in April 2010. The bond is to be issued over a series of 36 issues, once every month which commenced on April 16, 2010, up to ₱28.0 million per series or up to an aggregate issue amount of ₱1,008.0 million over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is subject to a maximum of 5% of the net selling price of the property selected by the bondholder except Ayala Land Premier properties, or 4% of the net selling price of the Ayala Land Premier property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2011 and 2010, bond issued amounted ₱417.9 million and ₱204.0 million, respectively.



Philippine Peso Homestarter Bond due 2014

The Company launched a new issue of the Homestarter Bond in May 2011. The bond is to be issued over a series of 36 issues, once every month which commenced on May 16, 2011, with an initial issue amount of up to ₱56.0 Million or up to an aggregate issue amount of ₱2.0 billion million over a 3-year period. The bond carries an interest rate of 5% per annum, payable at the final maturity date or upon the bondholder's exercise of the option to apply the bond to partial or full payment for a residential property offered for sale by the Company or its affiliates. In the event of application of the bond to partial or full payment for a property, the bondholder shall be entitled to, in addition to interest, a notional credit equivalent to 10% of the aggregate face value of the bond. The bonus credit is also subject to a maximum of 5% of the net selling price of the property selected. The bond is alternatively redeemable at par plus accrued interest on the third anniversary of the initial issue date. As of December 31, 2011, bond issued amounted to ₱173.7 million.

Philippine Peso 5-, 7- and 10-year FXCNs due 2011, 2013 and 2016

In 2006, the Company issued ₱3,000.0 million FXCNs consisting of 5-, 7- and 10-year notes issued to various financial institutions and will mature on various dates up to 2016. The FXCNs bear fixed interest rates ranging from 7.25% to 7.75% p.a. depending on the term of the notes. In January 2011, simultaneous to a new corporate note offering, the Company undertook a liability management exercise by offering to prepay holders of the corporate notes issued in 2006 while inviting the same institutions to participate in the new issuance. A number of investors holding up to ₱875.0 million of notes maturing in 2013 and 2016 accepted the offer to be prepaid. On September 23, 2011, the 5-year and one (1) day FXCNs amounting to ₱1,830.0 million matured and were fully repaid by the Company.

Philippine Peso 5-, 7- and 10-year FXCN due 2014, 2016 and 2019

In 2009, the Company issued an aggregate ₱2,380.0 million in 5-, 7- and 10-year notes to various financial institutions and retail investors. The notes will mature on various dates up to 2019. The FXCNs bear fixed interest rates ranging from 7.76% to 8.90%.

Philippine Peso 7-year FRCN due 2016

In 2009, the Company executed a ₱1,000.0 million committed FRCN facility with the LBP, of which an initial ₱10.0 million was drawn on October 12, 2009. The balance of ₱990.0 million was subsequently drawn on November 18, 2011. The FRCN bears a floating interest rate based on the 3-month PDST-R1 plus a spread of 0.96%, repriced quarterly. The FRCNs will mature on the seventh anniversary of the initial drawdown date.

Philippine Peso 5-, 10-, 15-Year FXCN due on 2016, 2021 and 2026

In 2011, the Company issued ₱10.0 billion FXCNs to various financial institutions and retail investors. The notes will mature on various dates up to 2026. The FXCNs bear fixed interest rates ranging from 5.62% to 7.50% p.a. depending on the term of the notes.

Transaction costs capitalized amounted to ₱88.2 million in 2011. Amortization amounting ₱10.9 million was expensed during the year.

Subsidiaries

The subsidiaries' loans will mature on various dates up to 2018 with floating interest rates at 50 bps to 200 bps spread over benchmark 91-day PDST-R1/R2 and fixed interest rates of 4.50% to 9.72% p.a. The term loan facility of a subsidiary is secured by a Mortgage Trust Indenture over land and building with a total carrying value of ₱1,041.3 million and ₱911.3 million as of December 31, 2011 and 2010, respectively.



The loan agreements contain some or all of the following restrictions: material changes in nature of business; maintenance of required debt-to-equity ratios; payment of dividends and additional loans maturing beyond a year which will result in a violation of the required debt-to-equity ratios; merger or consolidation where the Company/subsidiary is not the surviving corporation; guarantees or advances; encumbrance for borrowed money; and sale of substantially all of assets. These restrictions and requirements were complied with by the Group.

Interest capitalized amounted to ₱144.0 million and ₱31.7 million in 2011 and 2010, respectively. The average capitalization rates are 6.88% and 7.06% in 2011 and 2010, respectively.

18. Other Current Liabilities

Other current liabilities 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 which amounted to ₱1,124.6 million and ₱2,032.1 million as of December 31, 2011 and 2010, respectively.

19. Deposits and Other Noncurrent Liabilities

Deposits and other noncurrent liabilities consist of:

	2011	2010
	(In Thousands)	
Deposits	₱5,124,065	₱4,168,487
Retentions payable	2,338,399	1,927,384
Other liabilities (Note 26)	333,321	457,953
	₱7,795,785	₱6,553,824

Deposits are initially recorded at fair value, which was obtained by discounting its future cash flows using the applicable rates of similar types of instruments.

Retentions payable pertains to retention from the contractors' progress billings which will be later released after the completion of contractors' project. The retention serves as a security from the contractor should there be defects in the project.

20. Equity

The details of the number of shares in thousands follow:

	2011		2010		2009	
	Preferred	Common	Preferred	Common	Preferred	Common
	(In Thousands)					
Authorized	15,000,000	20,000,000	15,000,000	20,000,000	15,000,000	20,000,000
Issued	13,034,604	13,022,771	13,034,604	13,012,004	13,034,604	13,005,338
Subscribed	-	99,917	-	96,468	-	75,470
Treasury	-	(79,528)	-	(79,528)	-	(79,528)
Outstanding	13,034,604	13,043,160	13,034,604	13,028,944	13,034,604	13,001,280



Preferred Shares

The Company's preferred shares were subscribed and issued through a stock rights offer with the following features: (a) non-voting; (b) dividend rate of 4.64% p.a., payable annually, noncumulative; (c) nonparticipating; (d) convertible at the option of the holder at a ratio of one (1) preferred share to one (1) common share commencing on the 10th year from issue date at an exercise price equivalent to the higher of (i) the 30-day average closing price or (ii) closing price of common shares immediately preceding the exercise date, less the par value of the preferred shares; (e) no pre-emptive rights; (f) non-redeemable; (g) non-listed; and, (h) preferred in liquidation to the extent of par value.

The dividends for preferred shares are declared upon the sole discretion of the Company's BOD.

Common Shares

The rollforward analysis of the outstanding number of common shares in thousands follows:

	2011	2010	2009
		(In Thousands)	
At beginning of year	13,028,944	13,001,280	12,963,003
Additional subscriptions	14,216	27,664	38,277
At end of year	13,043,160	13,028,944	13,001,280

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Company.

On February 12, 2008, the BOD approved the allotment and subsequent issuance of up to 1 billion common shares of stock with an aggregate par value of ₱1,000.0 million for the purpose of exchanging such shares for properties or assets and/or to raise funds to acquire properties or assets needed for the business of the Company via issuance of equity or equity-linked instruments, the price and the terms and conditions of which shall be determined by the BOD based on prevailing market conditions or on agreements negotiated.

On April 2, 2008, the Company's stockholders approved the allotment and subsequent issuance of the shares for the above-mentioned purposes and for the further amendment of the Amended Articles of Incorporation of the Company to exclude the issuance of shares from the pre-emptive rights of the stockholders pursuant to Section 39 of the Philippine Corporation Code.

On July 5, 1991, the Company launched its Initial Public Offering where a total of 400.00 million common shares were offered at an offering price of ₱26 per share. The registration statement was approved on July 20, 1992. The Company has 10,515 existing certified shareholders as of December 31, 2011.

Treasury Shares

On August 12, 2008, the BOD approved a share buyback program. It is part of the Company's balance sheet management program and aims to (i) improve the Company's balance sheet structure and capital efficiency and (ii) enhance shareholder value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Company as not reflective of its fair corporate value.

In 2008, the Company repurchased a total of 79,528,228 of its common shares through open market purchases using the trading facilities of the Philippine Stock Exchange for a total purchase price of ₱823.9 million in relation to its share buyback program.



Retained Earnings

The BOD approved the declaration and payment from unappropriated retained earnings of cash dividends of ₱0.15, ₱0.09 and ₱0.06 per share in 2011, 2010 and 2009, respectively, to all issued and outstanding shares.

On October 3, 2011, August 26, 2010 and August 13, 2009, the BOD approved the declaration and payment from unappropriated retained earnings of cash dividends at the dividend rate of 4.64% per annum to all issued and outstanding preferred shares.

Retained earnings of ₱6.0 billion are appropriated for future expansion. Retained earnings also include undistributed net earnings amounting to ₱16,918.6 million, ₱13,173.5 million and ₱10,451.2 million as of December 31, 2011, 2010 and 2009, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Company's retained earnings available for dividend declaration as of December 31, 2011 and 2010 amounted to ₱19.2 billion and ₱17.7 billion, respectively.

Capital Management

The primary objective of the Group's capital management policy is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Group establishes the appropriate capital structure for each business line that properly reflects its premier credit rating and allows it the financial flexibility, while providing it sufficient cushion to absorb cyclical industry risks.

The Group considers debt as a stable source of funding. The Group lengthened the maturity profile of its debt portfolio and makes it a point to spread out its debt maturities by not having a significant percentage of its total debt maturing in a single year.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. It monitors capital using leverage ratios on both a gross debt and net debt basis. As of December 31, 2011 and 2010, the Group had the following ratios:

	2011	2010
Debt to equity	55.4%	36.9%
Net debt to equity	15.6%	2.0%

Debt consists of short-term and long-term debt. Net debt includes short-term and long-term debt less cash and cash equivalents, short-term investments, financial assets at FVPL and the current portion of AFS financial assets. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Company less unrealized gain on AFS financial assets.

The Group is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2011 and 2010.



Financial risk assessment

The Company's financial condition and operating results would not be materially affected by the current changes in liquidity, credit, interest, currency and market conditions.

Credit risks continue to be managed through defined credit policies and continuing monitoring of exposure to credit risks. The Company's base of counterparties remains diverse. As such, it is not exposed to large concentration of credit risk.

Exposure to changes in interest rates is reduced by a debt portfolio mix of both fixed and floating interest rates. The Company's ratio of fixed to floating rate debt stood at 62:38 and 76:24 as of December 31, 2011 and 2010, respectively. As a result, the movement in the actual average interest (borrowing) rate of the Company has been minimal.

Exposure to foreign currency holdings is at \$31.2 million and \$45.2 million as of December 31, 2011 and 2010, respectively.

Liquidity risk is addressed with long term funding already locked in, while funds are placed on a short term placement.

21. Real Estate Revenue

This account consists of:

	2011	2010	2009
		(In Thousands)	
Real estate sales	₱24,835,560	₱19,427,182	₱16,149,196
Rental income (Note 13)	8,137,247	7,211,531	7,223,996
Construction contracts	5,135,115	6,177,446	2,713,941
Management and marketing fees	878,753	697,364	418,427
	₱38,986,675	₱33,513,523	₱26,505,560

22. Revenue from Hotel and Resort Operations

This account consists of:

	2011	2010	2009
		(In Thousands)	
Rooms	₱1,003,024	₱895,812	₱724,720
Rental	621,055	458,356	151,870
Food and beverage	534,453	502,648	333,787
Others	85,627	38,101	22,066
	₱2,244,159	₱1,894,917	₱1,232,443



23. Other Income and Costs and Expenses

Other income consists of:

	2011	2010	2009
	(In Thousands)		
Management fees and marketing fees	₱360,371	₱397,554	₱337,006
Gain (loss) on sale financial assets at FVPL (Note 6)	(4,423)	(466)	25,156
Unrealized loss on financial assets at FVPL (Note 6)	-	(9,338)	(654)
Others - net	61,305	46,459	270,902
	₱417,253	₱434,209	₱632,410

Other income mainly consists of gain on sale of equipment, gain on sale of waterworks and sewerage facilities and equipment and other properties and foreign exchange gains and losses.

In 2011 and 2010, the net foreign exchange amounted to ₱12.0 million loss and ₱30.8 million gain, respectively.

Real estate costs and expenses consist of:

	2011	2010	2009
	(In Thousands)		
Cost of real estate sales	₱14,649,001	₱12,136,886	₱8,889,118
Materials and overhead	3,276,623	4,338,807	2,415,222
Depreciation and amortization	1,881,987	1,470,474	1,484,796
Marketing and management fees	1,226,449	975,319	1,160,470
Manpower costs	1,104,370	1,191,111	827,112
Rental	921,614	998,654	656,034
Direct operating expenses:			
Taxes and licenses	828,601	738,152	716,769
Repairs and maintenance	612,396	342,163	516,781
Light and water	445,166	376,713	416,071
Professional fees	387,041	289,156	190,781
Insurance	94,367	110,943	120,629
Transportation and travel	56,442	24,698	46,140
Commission	23,470	32,018	13,704
Entertainment, amusement and recreation	13,710	10,804	13,294
Others	996,495	671,483	682,383
	₱26,517,732	₱23,707,381	₱18,149,304



Hotel and resort operations expenses consist of:

	2011	2010	2009
	(In Thousands)		
Property operations, maintenance and energy costs	₱336,507	₱204,736	₱136,946
Food and beverage	279,076	262,572	202,915
Depreciation and amortization	191,424	176,716	128,746
Administrative	180,500	176,367	130,156
Rooms	148,131	138,988	65,498
Marketing	85,890	81,905	58,797
Telephone and other department costs	77,455	67,361	24,683
Management fee	57,726	68,614	51,672
Land lease	33,116	43,155	54,102
Entertainment, amusement and recreation	6,793	6,752	3,024
Others	26,781	12,772	10,660
	₱1,423,399	₱1,239,938	₱867,199

General and administrative expenses consist of:

	2011	2010	2009
	(In Thousands)		
Manpower costs (Note 26)	₱2,186,465	₱1,894,708	₱1,573,867
Depreciation and amortization	230,302	160,291	173,856
Professional fees	213,162	181,314	238,694
Taxes and licenses	140,844	135,042	153,536
Utilities	119,462	113,439	111,210
Rent	87,565	60,216	67,339
Repairs and maintenance	84,034	73,118	80,516
Transportation and travel	55,867	69,972	70,560
Advertising	49,360	62,411	53,600
Security and janitorial	47,101	34,963	42,308
Supplies	43,423	33,166	37,723
Insurance	29,692	38,411	39,722
Dues and fees	23,882	18,071	28,846
Entertainment, amusement and recreation	22,646	59,884	73,073
Others	145,807	253,347	47,783
	₱3,479,612	₱3,188,353	₱2,792,633

Manpower costs included in the consolidated statements of income follow:

	2011	2010	2009
	(In Thousands)		
Included in:			
Cost of:			
Real estate	₱1,104,370	₱1,191,111	₱827,112
Hotel and resort operations	194,458	179,445	135,761
General and administrative expenses	2,186,465	1,894,708	1,573,867
	₱3,485,293	₱3,265,264	₱2,536,740



Depreciation and amortization expense included in the consolidated statements of income follow:

	2011	2010	2009
	(In Thousands)		
Included in:			
Cost of:			
Real estate	₱1,881,987	₱1,470,474	₱1,484,796
Hotel and resort operations	191,424	176,716	128,746
General and administrative expenses	230,302	160,291	173,856
	₱2,303,713	₱1,807,481	₱1,787,398

Interest expense and other financing charges consist of:

	2011	2010	2009
	(In Thousands)		
Interest expense on:			
Short-term debt	₱131,592	₱51,656	₱137,428
Long-term debt	1,707,305	1,397,741	1,190,465
Other financing charges	40,873	89,714	17,598
	₱1,879,770	₱1,539,111	₱1,345,491

Other charges consist of:

	2011	2010	2009
	(In Thousands)		
Provision for impairment losses on:			
Receivables (Note 7)	₱52,550	₱57,206	₱86,892
Land and improvements (Note 11)	-	-	568,672
Real estate inventories (Note 8)	-	-	78,091
Write-offs and other charges	142,742	221,306	721,024
	₱195,292	₱278,512	₱1,454,679

In 2009, the Group recorded provision for impairment losses amounting to ₱78.1 million for the development cost of real estate inventories which may no longer be recovered (see Note 8).

In 2009, write-offs and other charges mainly include the write-down of inventory from purchase of steel bars which amounted to ₱350.3 million.

24. Income Tax

The components of deferred taxes are as follows:

Net deferred tax assets:

	2011	2010
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	₱1,071,486	₱1,352,511
Allowance for probable losses	877,258	742,590



(Forward)

	2011	2010
	(In Thousands)	
Outstanding share-based payments	₱90,057	₱115,147
Unrealized foreign exchange losses	13,154	110,107
Retirement benefits	252,574	102,001
Advanced rental	129,087	51,546
Accrued expenses	5,179	1,390
Others	1,204	3,459
	2,439,999	2,478,751
Deferred tax liabilities on:		
Capitalized interest and other expenses	(477,015)	(400,445)
Unrealized foreign exchange gain	(748)	-
Others	(13,603)	(4,896)
	(491,366)	(405,341)
	₱1,948,633	₱2,073,410

Net deferred tax liabilities:

	2011	2010
	(In Thousands)	
Deferred tax assets on:		
Difference between tax and book basis of accounting for real estate transactions	₱97,392	₱170,507
Unrealized foreign exchange losses	1,105	2,083
Retirement benefits	1,842	1,351
Allowance for probable losses	3,916	1,994
NOLCO	1,075	-
Advanced rentals	407	-
	105,737	175,935
Deferred tax liabilities on:		
Fair value adjustment arising from business combination	(399,140)	(392,194)
Difference between tax and book basis of accounting for real estate transactions	(325,558)	(213,618)
Prepaid expenses	(120,134)	(163,740)
Unrealized foreign exchange gain	(367)	(372)
Capitalized interest and other expenses	(3,586)	(3,586)
Others	(1,186)	(93)
	(849,971)	(773,603)
	(₱744,234)	(₱597,668)

Certain subsidiaries of the Company have NOLCO amounting to ₱194.0 million and ₱189.8 million as of December 31, 2011 and 2010, respectively, and MCIT amounting to ₱6.6 million and ₱4.3 million as of December 31, 2011 and 2010, respectively, which were not recognized. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The subsidiaries will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.



As of December 31, 2011, carryover NOLCO and MCIT that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

NOLCO:				
Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2008	₱3,547	₱3,547	₱-	2011
2009	96,573	1,983	94,590	2012
2010	95,790	1,965	93,825	2013
2011	5,582	-	5,582	
	₱201,492	₱7,495	₱193,997	

MCIT:				
Year Incurred	Amount	Used/Expired	Balance	Expiry Year
		(In Thousands)		
2009	₱1,665	₱-	₱1,665	2012
2010	2,671	-	2,671	2013
2011	2,244	-	2,244	2014
	₱6,580	₱-	₱6,580	

Reconciliation between the statutory and the effective income tax rates follows:

	2011	2010	2009
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effect of:			
Interest income and capital gains taxed at lower rates	(0.09)	(3.52)	(0.04)
Income subjected to lower income tax rates (Note 31)	(1.14)	(1.79)	(0.72)
Equity in net earnings of associates and jointly controlled entities	(2.52)	(3.46)	(4.97)
Effect of change in statutory income tax rate		-	-
Others - net	(1.79)	(1.23)	(4.34)
Effective income tax rate	24.46%	20.00%	19.93%

Board of Investments (BOI) Incentives

On February 9, 2010, the BOI issued in favor of a subsidiary a Certificate of Registration as an Expanding Developer of Low-Cost Mass Housing Project for its Celadon Park Tower 2, Felix Huertas Street, Manila in accordance with the Omnibus Investment Code of 1987. Pursuant thereto, the project has been granted an Income Tax Holiday for a period of three (3) years commencing from February 2010.

On March 23, 2011, the BOI issued in favor of a subsidiary a Certificate of Registration as New Developer of Low-Cost Mass Housing Project for its Amaia Scapes Laguna, Brgy. Barandal, Calamba City, Laguna. Pursuant thereto, the project has been granted an Income Tax Holiday for a period of four (4) years commencing from March 2011.

On December 13, 2011, the BOI issued in favor of a subsidiary a Certificate of Registration as a New Developer of Low-Cost Mass Housing Project for its Avida Towers Cebu Tower 1, Asiatown I.T. Park, Lahug, Cebu City. The project has been granted an Income Tax Holiday for a period of four (4) years commencing from December 2011.



On December 14, 2011, the BOI issued in favor of a subsidiary a Certificate of Registration as an Expanding Developer of Low-Cost Mass Housing Project for its Avida Towers San Lazaro Tower 5, Lot 5 E Block 50 C Pista St., Brgy. 350, Zone 035 Sta. Cruz, Manila , Avida Towers Cebu Tower 2, Asiatown I.T. Park, Lahug, Cebu City and Avida Towers Sucat Tower 7, Dr. A. Santos Ave., Brgy. San Dionisio, Parañaque City. The projects have been granted an Income Tax Holiday for a period of three (3) years commencing from December 2011.

25. Business Combinations

TKPI and TKDC

The Company entered into an agreement with Asian Conservation Company and ACC Resorts, Inc. (the ACC Group) to create a new company which will serve as a holding vehicle for TKPI and TKDC (wholly-owned subsidiaries of the ACC Group before the Company's entry). TKPI/TKDC are mainly involved in the development of parcels of land and islands into resorts in Miniloc, Lagen, Pangulasian and Apulit islands in the municipalities of El Nido and Taytay in Northern Palawan.

The agreement will eventually result in the Company obtaining 60% interest in the new company and ACC Group acquiring 40%. The Company will infuse ₱2.0 billion cash to obtain the 60% stake.

The Company has subscribed to 60% of the shares of TKPI and TKDC, thereby providing the Company with the ability to exercise control over TKPI and TKDC effective April 23, 2010. Accordingly, TKPI and TKDC financial statements are consolidated on a line-by-line basis with that of the Group as of December 31, 2010.

The following are the fair values of the identifiable assets and liabilities assumed (in thousands):

Assets	
Cash and cash equivalents	₱365,652
Trade and other receivables	1,455,940
Inventories	16,393
Other current assets	25,401
Land and improvements (Note 11)	1,361,645
Deposit on land purchase	444,622
Property and equipment (Note 14)	493,328
Other assets	140,640
	<hr/>
	4,303,621
Liabilities	
Accounts and other payables	310,177
Deposits and other current liabilities	21,446
Due to related parties	89,232
Loans payable	81,621
Income tax payable	18,630
Deferred tax liabilities - net	399,155
	<hr/>
	920,261

(Forward)



Net assets	₱3,383,360
Non-controlling interest in TKDC and TKPI	1,353,344
<hr/> Total net assets acquired	<hr/> 2,030,016
Acquisition cost	2,029,500
<hr/> Negative goodwill	<hr/> ₱516

The Company's share in the fair values of the net assets amounted to ₱2,030.0 million, which resulted in a negative goodwill amounting to ₱0.52 million (included under "other income").

The fair value of the trade and other receivables approximate their carrying amounts since these are short-term in nature. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The non-controlling interest has been measured at the proportionate share of the value of the net identifiable assets acquired and liabilities assumed.

From the date of acquisition, TKDC and TKPI has contributed ₱260.0 million of revenue and ₱10.6 million to the net income of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been ₱37,984.0 million and the net income for the Group would have been ₱6,312.3 million.

Transaction costs of ₱1.02 million have been expensed and are included in administrative expenses.

In 2011, the shareholders of ECI, a subsidiary, approved the increase in its authorized capital stock and the subsequent issuance of these shares in exchange for the investment of ALI and ACC in TKDC and TKPI. The application for the increase in authorized capital stock has been filed with the SEC. As a result of this transaction, ALI and ACC will obtain 60% and 40% ownership interest in ECI, respectively. Also, TKDC and TKPI will become wholly owned subsidiaries of ECI.

During the year, the Company finalized its purchase price allocation and there were no changes to the fair market values of the assets acquired and liabilities assumed for TKDC and TKPI.

APPHC

In 2006, the Company signed an agreement with MLT Investments Ltd. (MIL) and Filipinas Investments Ltd. (FIL) to jointly develop a BPO office building in Dela Rosa Street and to purchase the existing PeopleSupport Building.

APPHC, the joint-venture company formed, is 60% owned by the Company. APPHC owns 60% interest in its subsidiary, APPCo. The remaining 40% interest in both APPHC and APPCo are split evenly between MIL and FIL. APPHC and APPCo are jointly controlled by the Company, MIL, and FIL.

On December 8, 2008, the Company acquired from FIL its 20% ownership in APPHC and APPCo. This resulted in an increase in the Company's effective ownership interest in APPHC from 60% to 80% and APPCo from 36% to 68%, thereby providing the Company with the ability to control the operations of APPHC and APPCo following the acquisition. Accordingly, APPHC and APPCo's financial statements are consolidated on a line-by-line basis with that of the Group as of December 31, 2008.



On November 16, 2011, the SEC approved the merger of APPHC and APPCo, with APPCo as the surviving entity. The merger was meant to streamline administrative processes and achieve greater efficiency. From the perspective of ALI, the merger did not affect its effective interest, still at 68% in the merged entity.

26. Related Party Transactions

In its regular conduct of business, the Group has entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real estate properties, construction contracts, development, management, underwriting, marketing, leasing and administrative service agreements. Transactions with related parties are made at normal market prices.

The following tables provide the total amount of transactions that have been entered into with related parties for the relevant financial year (in thousands):

2011

	Amounts owed by related parties			Amounts owed to related parties		
	Current	NonCurrent	Total	Current	NonCurrent	Total
Jointly controlled entities:						
ACC	₱17,802	₱-	₱17,802	₱-	₱-	₱-
Associates:						
CHI	82,638	-	82,638	-	-	-
BLC	50,522	-	50,522	-	-	-
NTDCC	17,160	-	17,160	-	-	-
	150,320	-	150,320	-	-	-
Other related parties:						
Columbus	888,810	-	888,810	988,808	-	988,808
FBDC	271,096	-	271,096	-	-	-
Ayala International North America	196,825	-	196,825	-	-	-
AC	89,925	-	89,925	29,478	-	29,478
Cebu Property Ventures Development Corp. (CPVDC)	58,571	-	58,571	-	-	-
Globe Telecom	44,267	-	44,267	-	-	-
Bank of the Philippine Islands	12,292	-	12,292	31,176	9,233	40,409
Bonifacio Hotel Ventures, Inc.	4,067	-	4,067	-	-	-
Ayala Life	-	-	-	62	-	62
Manila Water Company, Inc.	-	-	-	-	32	32
Others	16,080	-	16,080	68	27	95
	1,581,933	-	1,581,933	1,049,592	9,292	1,058,884
	₱1,750,055	₱-	₱1,750,055	₱1,049,592	₱9,292	₱1,058,884



2010

	Amounts owed by related parties			Amounts owed to related parties		
	Current	NonCurrent	Total	Current	NonCurrent	Total
Jointly controlled entities:						
ACC	₱743	₱-	₱743	₱-	₱-	₱-
Associates						
CHI	102,093	-	102,093	16,454	-	16,454
BLC	-	-	-	80,954	-	80,954
NTDCC	15,790	-	15,790	-	-	-
ARCH Capital	216	-	216	-	-	-
	118,099	-	118,099	97,408	-	97,408
Other related parties:						
Columbus	888,810	-	888,810	491,121	-	491,121
FBDC	109,279	-	109,279	-	-	-
Ayala International North America	217,787	-	217,787	-	-	-
AC	109,402	-	109,402	-	-	-
Cebu Property Ventures Development Corp. (CPVDC)	6,146	-	6,146	268,296	-	268,296
Globe Telecom	11	-	11	-	-	-
Bank of the Philippine Islands	67	-	67	-	-	-
Ayala International PTE. LTD.	19	-	19	-	-	-
Ayala Life	101	-	101	-	-	-
Sonoma Services	217	-	217	-	-	-
City Sport Club Cebu (CSCC)	715	-	715	4,000	-	4,000
Others	53	-	53	-	-	-
	1,332,607	-	1,332,607	763,417	-	763,417
	₱1,451,449	₱-	₱1,451,449	₱860,825	₱-	₱860,825

Revenue from related parties:

	2011	2010	2009
Jointly controlled entities:			
ACC	₱-	₱19,293	₱1,503
Associates:			
CHI	16,548	60,650	139,973
NTDCC	7,675	8,497	5,918
BLC	-	-	810,753
	24,223	69,147	956,644
Other related parties:			
Manila Water Company, Inc.	1,851,582	699,085	28,353
Globe Telecom, Inc.	67,071	7,813	37,542
AC	35,489	25,420	2,826
BPI	15,168	-	-
Northgate Hotel Ventures, Inc.	9,424	-	-
IMI	7,632	8,418	-
Southcrest Hotel Ventures, Inc.	7,146	-	-
Lamcor	650	-	-
Innove Communications, Inc.	210	1,732	3,317
MD Distripark	132	-	-
South Innovative Theater	65	130	-
CPVDC	-	9,759	-
Bank of the Philippine Islands	-	9,447	15,718
CIHCI	-	7,585	-
Cebu Leisure Company, Inc.	-	130	-
	1,994,569	769,519	87,756
	₱2,018,792	₱857,959	₱1,045,903

The revenue earned from associates pertains mostly to income from leasing and developmental projects.



Receivables from/payables to related parties pertain mostly to advances and reimbursement of operating expenses related to development cost and land acquisitions. These are generally trade related, non-interest bearing and payable within one year.

The following describes the nature of the material transactions of the Group with related parties as of December 31, 2011 and 2010:

Parent Company:

- The Company made interest-bearing advances in the amount of ₱217.8 million to Ayala International North America (AINA), an AC subsidiary, for AINA's project in Northern California in 2010 with outstanding balance of ₱196.9 million in 2011.

Affiliates:

- Amounts owed from CHI of ₱102,093
₱33,917 - represents management fee of the Company for CHI's Cebu Business Park & Amara projects in Cebu; and systems cost & various advances made by the Company for CHI.

₱68,176 - consists of advances and interest due from CHI's subsidiary to the Company's subsidiary (Ayala Hotels, Inc.)
- Amount owed to CHI of ₱16,454
This comprises substantially the share of CHI's subsidiary, in the collections from joint development project with the Company's subsidiary (Asian I-Office Properties, Inc.).
- The Company, through its subsidiary Avida, advanced ₱107.2 million for selling expenses and transfer costs for AC allocated units on projects under joint development agreement between AC and Avida.
- The Company advanced ₱888.8 million to Columbus for future acquisition of shares in BLC. Columbus, on the other hand, advanced ₱988.8 million and ₱491.1 million in 2011 and 2010, respectively, to the Company for future stocks redemption of ECHI and BHI.
- Receivable from FBDC in 2011 and 2010 amounting to ₱109.3 million largely pertains to management fees which is included under "other income."
- Payable to BPI pertains to availments of services in the normal course of business.
- The Company, through its subsidiary Avida, advanced ₱6.1 million representing CPVDC's share in expenses for the Garden Village project, a joint development project between CPVDC and Avida. CPVDC, on the other hand, has advanced ₱268.3 Million for the cost of the lots acquired for joint development projects with the Company's subsidiaries - Avida and Asian I-Office Properties, Inc.
- The Company, through its subsidiary MDC, has an existing pipe laying contract with MWC, a subsidiary of AC. MDC has reported revenues in the amount of ₱1,851.6 million and ₱699.1 million in 2011 and 2010, respectively, from the contract.
- Revenue from Globe amounting to ₱67.1 million pertains to development management fee which is included under "other income".



Compensation of key management personnel by benefit type follows:

	2011	2010	2009
	(In Thousands)		
Short-term employee benefits	₱151,381	₱157,934	₱128,932
Post-employment benefits (Note 27)	3,183	23,061	21,313
Share-based payments (Note 29)	13,301	20,850	13,719
	₱167,865	₱201,845	₱163,964

27. Retirement Plan

The Group has funded, noncontributory tax-qualified defined benefit type of retirement plans covering substantially all of their employees. The benefits are based on a defined benefit formula.

The Group's annual contributions to their respective plans consist principally of payments covering the current service cost for the year and the required funding relative to the guaranteed minimum benefits as applicable.

The components of expense (included in manpower costs under "General and administrative expenses") in the consolidated statements of income follow:

	2011	2010	2009
	(In Thousands)		
Current service cost	₱293,419	₱134,199	₱115,005
Interest cost on benefit obligation	128,006	120,538	135,482
Expected return on plan assets	(206,309)	(109,972)	(99,062)
Amortization of actuarial losses (gains)	(23,671)	36,186	44,330
Past service cost	3,355	2,777	2,777
Total pension expense	₱194,800	₱183,728	₱198,532
Actual return on plan assets	₱153,487	₱324,916	₱99,277

The funded status and amounts recognized in the consolidated statement of financial position for the pension plan as of December 31, 2011 and 2010 follow:

	2011	2010
	(In Thousands)	
Benefit obligations	₱1,987,763	₱1,707,890
Plan assets	(1,811,967)	(1,615,477)
	175,796	92,413
Unrecognized net actuarial losses	(157,865)	(53,193)
Unrecognized past service cost	(21,893)	(24,670)
Liability (asset) recognized in the consolidated statement of financial position	(₱3,962)	₱14,550

As of December 31, 2011 and 2010, pension assets (included under other noncurrent assets) amounted to ₱76.2 million and ₱71.8 million, respectively, and pension liabilities amounted to ₱72.2 million and ₱86.4 million, respectively.



Changes in the present value of the defined benefit obligation follow:

	2011	2010	2009
		(In Thousands)	
Balance at January 1	₱1,707,890	₱1,384,799	₱1,277,155
Interest cost	128,006	120,538	135,482
Current service cost	293,419	134,199	115,005
Curtailements	(7,209)	–	–
Settlements	(13,279)	(2,118)	–
Transfer of employees	158	–	–
Benefits paid	(189,818)	(59,692)	(188,534)
Actuarial losses	68,596	130,164	45,691
Balance at December 31	₱1,987,763	₱1,707,890	₱1,384,799

Changes in the fair value of plan assets follow:

	2011	2010	2009
		(In Thousands)	
Balance at January 1	₱1,615,477	₱1,212,764	₱1,057,896
Expected return	206,309	109,972	99,062
Contributions	173,900	183,359	244,125
Settlements	–	(2,118)	–
Benefits paid	(130,896)	(59,692)	(188,534)
Actuarial gains (losses)	(52,823)	171,192	215
Balance at December 31	₱1,811,967	₱1,615,477	₱1,212,764

The Group expects to make contributions of ₱156.6 million to its retirement fund in 2011.

The allocations of the fair value of plan assets follow:

	2011	2010	2009
Investments in debt securities	60.32%	58.70%	67.48%
Investments in equity securities	22.55%	36.30%	27.38
Others	17.13%	5.00%	5.14

As of December 31, 2011 and 2010, the plan assets include shares of stock of the Company with fair value amounting to ₱12.4 million and ₱18.6 million, respectively.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The assumptions used to determine pension benefits for the Group are as follows:

	2011	2010	2009
Discount rate	5.8 to 8.0%	8.0 to 10.0%	9.0 to 10.0%
Salary increase rate	1.0 to 8.0%	1.0 to 9.0%	7.0 to 10.0%
Expected rate of return on plan assets	3.7 to 10.0%	4.0 to 9.0%	8.0 to 10.0%

Amounts for the current and the previous periods follow:

	2011	2010	2009	2008	2007
			(In Thousands)		
Defined benefit obligation	₱1,987,763	₱1,707,890	₱1,384,799	₱1,277,155	₱1,574,083
Plan assets	(1,811,967)	(1,615,477)	(1,212,764)	(1,057,896)	(1,428,976)
Deficit	₱175,796	₱92,413	₱172,035	₱219,259	₱145,107



Amounts of experience adjustment losses (gains) for the current and the previous periods follow:

	2011	2010	2009	2008
		(In Thousands)		
Liabilities	(P31,779)	(P132,522)	(P295,911)	P408,988
Assets	P61,881	P220,012	P14,255	P316,733

28. Earnings Per Share

The following tables present information necessary to compute EPS in thousands except EPS:

EPS on net income attributable to equity holders of the Company are as follows:

	2011	2010	2009
		(In Thousands)	
Net income attributable to equity holders of the Company	P7,140,308	P5,458,134	P4,039,256
Less dividends on preferred stock	60,481	60,481	60,481
Net income attributable to equity holders for basic and diluted earnings per share	P7,079,827	P5,397,653	P3,978,775
Weighted average number of common shares for basic EPS	12,938,672	13,016,525	12,985,331
Dilutive shares arising from stock options	14,650	22,069	21,904
Adjusted weighted average number of common shares for diluted EPS	12,953,322	13,038,594	13,007,235
Basic EPS	P0.55	P0.41	P0.31
Diluted EPS	P0.55	P0.41	P0.31

In 2011, 2010 and 2009, the convertible preferred shares are ignored in the calculation of diluted EPS since these are antidilutive.

29. Stock Options and Ownership Plans

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

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



ESOP

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

Pre-PFRS 2 Options

	2011	Weighted average exercise price	2010	Weighted average exercise price
At January 1	17,449,397	4.26	22,271,511	4.16
Exercised	(2,087,014)	3.80	(4,822,114)	3.71
Cancelled	(1,349,352)		-	
At December 31	14,013,031	4.15	17,449,397	4.26

PFRS 2 Options

	2011	Weighted average exercise price	2010	Weighted average exercise price
At January 1	14,025,648	4.26	16,647,814	4.16
Exercised	(1,139,489)	3.80	(2,622,166)	3.71
At December 31	12,886,159	4.26	14,025,648	4.26

The options exercised had a weighted average exercise price of ₱3.80 per share or ₱12.3 million in 2011 and ₱3.71 per share or ₱27.6 million in 2010. The average fair market value of the shares at the exercise date was ₱15.52 per share or about ₱ 50.1 million in 2011 and ₱16.45 per share or about ₱122.5 million in 2010.

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

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

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

ESOWN

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

In 2005, the Company introduced a revised ESOWN and granted to qualified officers wherein grantees may subscribe in whole or in part to the shares awarded to them based on a discounted market price that was determined by the Compensation Committee as the offer price set at grant date. The grantees paid for the shares subscribed through installments over a maximum period of ten (10) years. The subscription is subject to a holding period stated in the plan. To subscribe, the grantee must be an employee of the Company or any of its subsidiaries during the ten (10)-year payment period. In case the grantee resigns, unsubscribed shares are cancelled, while the



subscription may be paid up to the percent of holding period completed and payments may be converted into the equivalent number of shares. In case the grantee is separated, not for cause, but through retrenchment and redundancy, subscribed shares may be paid in full, unsubscribed shares may be subscribed, or payments may be converted into the equivalent number of shares. In case the grantee retires, the grantee may subscribe to the unsubscribed shares anytime within the ten (10)-year period. The plan does not allow sale or assignment of the shares. All shares acquired through the plan are subject to the Company's Right to Repurchase.

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

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

	2011	WAEP	2010	WAEP
At January 1	27,412,217	8.67	24,849,066	8.67
Granted	4,852,343	13.63	2,563,151	10.02
Cancelled	(1,391,042)		—	—
At December 31	30,873,518	9.52	27,412,217	8.67

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes Merton Formula, taking into account the terms and conditions upon which the options were granted. The expected volatility was determined based on an independent valuation. Option maturity is four years from the date of grant. The fair value of stock options granted under ESOWN at grant date and the assumptions used to determine the fair value of the stock options follow:

	Grant Date						
	March 31, 2011	March 31, 2010	April 30, 2009	May 15, 2008	September 20, 2007	June 5, 2006	November 16, 2005
Number of unsubscribed shares	3,843,057	2,298,247	5,418,619	15,057,840	494,400	5,270,333	3,036,933
Fair value of each option	₱7.27	₱8.88	₱4.05	₱6.77	₱6.93	₱7.33	₱5.58
Weighted average share price	₱15.5	₱13.00	₱6.40	₱10.50	₱15.00	₱13.00	₱9.30
Exercise price	₱13.2	₱9.74	₱4.96	₱9.74	₱12.00	₱10.35	₱7.03
Expected volatility	36.25%	43.57%	37.45%	32.04%	34.67%	46.03%	46.32%
Dividend yield	1.01%	0.48%	0.85%	0.49%	0.41%	1.56%	0.77%
Interest rate	5.60%	5.95%	5.94%	8.53%	6.93%	10.55%	11.30%

Total expense recognized in 2011, 2010 and 2009 in the consolidated statements of income arising from share-based payments amounted to ₱178.8 million, ₱177.2 million and ₱148.6 million, respectively (see Note 23).



30. Financial Assets and Liabilities

Fair Value Information

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of December 31, 2011 and 2010:

	2011		2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
			(In Thousands)	
Financial Assets at FVPL	₱-	₱-	₱404,008	₱404,008
Loans and Receivables				
Cash and cash equivalents	24,603,213	24,603,213	18,018,807	18,018,807
Short-term investments	191,987	191,987	1,434,337	1,434,337
Accounts and notes receivable				
Trade				
Residential development	14,535,693	15,203,042	10,604,564	9,380,665
Construction contracts	1,871,553	1,871,553	1,029,299	1,029,299
Shopping centers	945,184	945,184	868,706	868,706
Corporate business	580,197	580,197	541,209	541,209
Management fees	47,267	47,267	61,190	61,190
Others	694,367	694,367	548,844	548,844
Advances to other companies	2,451,105	2,520,009	1,737,327	1,720,847
Related parties	1,750,055	1,750,055	1,451,449	1,451,449
Accrued receivable	1,597,219	1,597,219	1,037,983	1,037,983
Receivable from employees	431,515	432,308	464,104	436,258
Investment in bonds classified as loans and receivables	200,000	214,518	200,000	218,990
Total loans and receivables	49,899,355	50,650,919	37,997,819	36,748,584
AFS financial assets				
Unquoted	253,800	253,800	248,164	248,164
Quoted	456,642	456,642	443,500	443,500
Total AFS financial assets	710,442	710,442	691,664	691,664
Total financial assets	₱50,609,797	₱51,361,361	₱39,093,491	₱37,844,256
Other Financial Liabilities				
Current				
Accounts payable	₱21,674,756	₱21,674,756	₱13,681,306	₱13,681,306
Accrued project costs	5,684,761	5,684,761	2,808,045	2,808,045
Accrued expenses	4,337,360	4,337,360	4,044,152	4,044,152
Payable to related parties	1,049,592	1,049,592	860,825	860,825
Interest payable	478,852	478,852	211,235	211,235
Accrued salaries and employee benefits	291,992	291,992	249,238	249,238
Retentions payable	218,979	218,979	119,051	119,051
Accrued rentals	163,156	163,156	475,858	475,858
Dividends payable	7,113	7,113	632,649	632,649
Short-term debt	4,638,844	4,638,844	2,890,042	2,890,042
Current portion of long-term debt	1,556,761	1,556,761	2,328,160	2,328,160
Noncurrent				
Long-term debt	28,335,166	29,496,948	15,752,731	16,934,931
Deposits and other noncurrent liabilities	7,795,785	7,805,949	6,553,824	6,509,648
Total other financial liabilities	₱76,233,117	₱77,405,063	₱50,607,116	₱51,745,140

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

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



Financial assets at FVPL - These are investments in government securities. Fair value is based on quoted prices as of reporting dates.

Noncurrent accounts and notes receivables - The fair values of residential accounts and notes receivable, advances to other companies and receivable from employees, are based on the discounted value of future cash flows using the applicable rates for similar types of instruments. The discount rates used ranged from 8.00% to 13.25% and 9.50% to 13.75% as of December 31, 2011 and 2010, respectively.

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

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

Liabilities - The fair value of noncurrent unquoted instruments (long-term debt and deposits) are estimated using the discounted cash flow methodology using the Group's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued. The discount rates used ranged from 2.88% to 7.60% and 2.70% to 7.39% as of December 31, 2011 and 2010, respectively. The fair value of noncurrent unquoted debt instruments with floating rates are estimated using discounted cash flow - last repricing method.

Fair Value Hierarchy

As at December 31, 2011, quoted AFS financial assets have been measured at fair value.

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

Level 1: quoted (unadjusted prices) in active markets for identical assets and liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Financial assets at FVPL amounting to nil and ₱404.0 million in 2011 and 2010, respectively and quoted AFS financial assets amounting to ₱456.6 million in 2011 and 2010 were classified under Level 1 in 2011 and 2010. There are no financial assets and liabilities which have been classified under the Level 2 or 3 category.

There have been no reclassifications from Level 1 to Level 2 or 3 category.

Financial Risk Management and Objectives

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



Exposure to liquidity, credit, interest rate, currency and equity risks arise in the normal course of the Group's business activities. The main objectives of the Group's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

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

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

Liquidity risk

Liquidity risk is defined by the Group as the risk of losses arising from funding difficulties due to deterioration in market conditions and/or the financial position of the Group that make it difficult for the Group to raise the necessary funds or that forces the Group to raise funds at significantly higher interest rates than usual.

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

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

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

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

The table summarizes the maturity profile of the Group's financial liabilities at December 31, 2011 and 2010 based on contractual undiscounted payments:

2011

	< 1 year	>1 to < 5 years	> 5 years	Total
	(In Thousands)			
Accounts and other payables	₱33,906,561	₱-	₱-	₱33,906,561
Short-term debt	4,638,844	-	-	4,638,844
Long-term debt	1,556,761	22,406,001	5,929,165	29,891,927
Deposits and other noncurrent liabilities	-	7,769,403	26,382	7,795,785
	₱40,102,166	₱30,175,404	₱5,955,547	₱76,233,117
Interest payable	₱1,350,500	₱5,055,533	₱1,545,783	₱7,951,816



2010

	< 1 year	>1 to < 5 years	> 5 years	Total
	(In Thousands)			
Accounts and other payables	₱23,082,359	₱—	₱—	₱23,082,359
Short-term debt	2,890,042	—	—	2,890,042
Long-term debt	2,328,160	13,385,081	2,367,650	18,080,891
Deposits and other noncurrent liabilities	—	6,482,690	71,134	6,553,824
	₱28,300,561	₱19,867,771	₱2,438,784	₱50,607,116
Interest payable	₱1,129,961	₱3,026,829	₱465,489	₱4,622,279

Cash and cash equivalents, Short-term investments, financial assets at FVPL and treasury bonds and treasury bills classified as AFS financial assets are used for the Group's liquidity requirements. Please refer to the terms and maturity profiles of these financial assets are shown on the maturity profile of the interest-bearing financial assets and liabilities disclosed in the interest rate risk section. Treasury bonds with maturity of more than a year from December 31, 2011 are marketable securities and could be sold as and when needed, prior to its maturity in order to meet the Group's short-term liquidity needs.

Credit risk

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

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

Credit risk arising from rental income from leasing properties is primarily managed through a tenant selection process. Prospective tenants are evaluated on the basis of payment track record and other credit information. In accordance with the provisions of the lease contracts, the lessees are required to deposit with the Group security deposits and advance rentals which helps reduce the Group's credit risk exposure in case of defaults by the tenants. The fair value of security deposits and advance rentals for Shopping centers and Corporate business trade receivables amounted to ₱1,588.5 million and ₱698.3 million in 2011 and ₱1,461.2 million and ₱574.7 million in 2010, respectively. This resulted to a nil net exposure for 2011 and 2010. For existing tenants, the Group has put in place a monitoring and follow-up system. Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Regular meetings with tenants are also undertaken to provide opportunities for counseling and further assessment of paying capacity.

Other financial assets are comprised of cash and cash equivalents excluding cash on hand, short-term investments, financial assets at FVPL and AFS financial assets. The Group adheres to fixed limits and guidelines in its dealings with counterparty banks and its investment in financial instruments. Bank limits are established on the basis of an internal rating system that principally covers the areas of liquidity, capital adequacy and financial stability. The rating system likewise



makes use of available international credit ratings. Given the high credit standing of its accredited counterparty banks, management does not expect any of these financial institutions to fail in meeting their obligations. Nevertheless, the Group closely monitors developments over counterparty banks and adjusts its exposure accordingly while adhering to pre-set limits.

The table below shows the maximum exposure to credit risk.

	2011	2010
	(In Thousands)	
Cash and cash equivalents (excluding cash on hand)	₱24,568,957	₱18,005,371
Short-term investments	191,987	1,434,337
Financial assets at FVPL	–	404,008
Accounts and notes receivable		
Trade:		
Residential development	14,535,693	10,604,564
Construction contracts	1,871,553	1,029,299
Shopping centers	945,184	868,706
Corporate business	580,197	541,209
Management fees	47,267	61,190
Others	694,367	548,844
Advances to other companies	2,451,105	1,737,327
Related parties	1,750,055	1,451,449
Accrued receivable	1,597,219	1,037,983
Receivables from employees	431,515	464,104
Investment in bonds classified as loans and receivables	200,000	200,000
AFS financial assets	710,442	691,664
	₱50,575,541	₱39,080,055

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



As of December 31, 2011 and 2010, the aging analysis of past due but not impaired trade receivables presented per class, follow:

2011

	Neither Past Due nor Impaired	Past Due but not Impaired (In Thousands)					Total	Impaired	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days			
Trade:									
Residential development	₱13,337,616	₱360,022	₱258,231	₱130,057	₱98,938	₱339,126	₱34,813	₱14,558,803	
Construction contracts	1,315,179	109,201	97,646	48,654	36,171	264,702	5,927	1,877,480	
Shopping centers	501,529	105,576	57,028	49,472	27,689	185,284	174,475	1,101,053	
Corporate business	280,665	137,432	42,571	53,278	11,197	55,055	12,210	592,408	
Management fees	16,554	-	6,022	1,628	5,106	17,957	3,215	50,482	
Others	667,264	5,985	4,673	2,351	8,729	5,366	47,091	741,459	
Advances to other companies	2,389,947	15,446	18,210	8,056	14,712	10,145	51,318	2,507,834	
Related parties	1,678,753	301	112	72	2,359	68,458	-	1,750,055	
Accrued receivable	1,564,789	-	-	-	-	32,430	-	1,597,219	
Receivables from employees	399,283	18,894	2,940	558	968	8,872	-	431,515	
Investment in bonds classified as loans and receivables	200,000	-	-	-	-	-	-	200,000	
	₱22,351,579	₱752,857	₱487,433	₱294,126	₱205,869	₱987,395	₱329,049	₱25,408,308	

2010

	Neither Past Due nor Impaired	Past Due but not Impaired (In Thousands)					Total	Impaired	Total
		<30 days	30-60 days	60-90 days	90-120 days	>120 days			
Trade:									
Residential development	₱9,587,103	₱482,614	₱141,617	₱83,867	₱88,673	₱228,257	₱9,555	₱10,621,686	
Construction contracts	177,815	98,725	170,749	167,069	58,626	356,315	5,927	1,035,226	
Shopping centers	472,717	70,211	55,930	43,766	53,052	158,419	168,336	1,022,431	
Corporate business	394,408	11,251	54,019	42,502	30,536	13,056	12,247	558,019	
Management fees	26,586	-	13,591	1,186	11,913	7,914	4,383	65,573	
Others	464,254	70,522	6,150	1,853	319	5,746	47,092	595,936	
Advances to other companies	1,637,300	38,088	2,897	5,035	21,877	31,886	12,618	1,749,701	
Related parties	1,338,164	102,031	8,099	-	-	3,155	-	1,451,449	
Accrued receivable	1,037,983	-	-	-	-	-	-	1,037,983	
Receivables from employees	449,134	5,296	235	-	702	8,737	-	464,104	
Investment in bonds classified as loans and receivables	200,000	-	-	-	-	-	-	200,000	
	₱15,785,464	₱878,738	₱453,287	₱345,278	₱265,698	₱813,485	₱260,158	₱18,802,108	



The table below shows the credit quality of the Company's financial assets as of December 31, 2011 and 2010:

2011

	Neither Past Due nor Impaired			Total (In Thousands)	Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade				
Cash and cash equivalents	₱24,603,213	₱-	₱-	₱24,603,213	₱-	₱-	₱24,603,213
Short-term investments	191,987	-	-	191,987	-	-	191,987
Accounts and notes receivables							
Trade:							
Residential development	11,210,707	1,317,086	809,823	13,337,616	1,186,374	34,813	14,558,803
Construction contracts	1,315,179	-	-	1,315,179	556,374	5,927	1,877,480
Shopping centers	365,694	130,150	5,685	501,529	425,049	174,475	1,101,053
Corporate business	264,705	15,918	42	280,665	299,533	12,210	592,408
Management fees	11,064	-	5,490	16,554	30,713	3,215	50,482
Others	667,264	-	-	667,264	27,104	47,091	741,459
Advances to other companies	2,107,029	3,755	279,163	2,389,947	66,569	51,318	2,507,834
Related parties	1,159,769	-	518,984	1,678,753	71,302	-	1,750,055
Accrued receivable	1,564,546	-	243	1,564,789	32,430	-	1,597,219
Receivable from employees	209,097	-	190,186	399,283	32,232	-	431,515
Investment in bonds classified as loans and receivables	200,000	-	-	200,000	-	-	200,000
AFS financial assets							
Unquoted	-	-	-	-	-	-	-
Quoted	456,642	-	-	456,642	253,800	-	253,800
	₱44,326,896	₱1,466,909	₱1,809,616	₱47,857,221	₱2,727,680	₱329,049	₱50,913,950



2010

	Neither Past Due nor Impaired					Total (In Thousands)	Past Due but not Impaired	Impaired	Total
	High Grade	Medium Grade	Low Grade	Unrated	Total				
Cash and cash equivalents	₱18,018,807	₱-	₱-	₱-	₱18,018,807	₱-	₱-	₱18,018,807	
Short-term investments	1,434,337	-	-	-	1,434,337	-	-	1,434,337	
Financial assets at FVPL	404,008	-	-	-	404,008	-	-	404,008	
Accounts and notes receivables									
Trade:									
Residential development	6,768,122	1,428,390	1,390,591	-	9,587,103	1,025,028	9,555	10,621,686	
Construction contracts	177,815	-	-	-	177,815	851,484	5,927	1,035,226	
Shopping centers	326,020	144,833	1,864	-	472,717	381,378	1,683,336	1,022,431	
Corporate business	390,377	3,880	151	-	394,408	151,364	12,247	558,019	
Management fees	6,843	-	19,743	-	26,586	34,604	4,383	65,573	
Others	464,254	-	-	-	464,254	84,590	47,092	595,936	
Advances to other companies	1,614,777	2,666	19,857	-	1,637,300	99,783	12,618	1,749,701	
Related parties	1,333,648	-	4,516	-	1,338,164	113,285	-	1,451,449	
Accrued receivable	1,037,983	-	-	-	1,037,983	-	-	1,037,983	
Receivable from employees	403,981	-	45,153	-	449,134	14,970	-	464,104	
Investment in bonds classified as loans and receivables	200,000	-	-	-	200,000	-	-	200,000	
AFS financial assets									
Unquoted	-	-	-	248,164	248,164	-	-	248,164	
Quoted	443,500	-	-	-	443,500	-	-	443,500	
	₱33,024,472	₱1,579,769	₱1,481,875	₱248,164	₱36,334,280	₱2,756,486	₱260,158	₱39,350,924	



The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, short-term investments, financial assets at FVPL, AFS quoted securities - based on the nature of the counterparty and the Group's internal rating system

Receivables - high grade pertains to receivables with no default in payment; medium grade pertains to receivables with up to 3 defaults in payment; and low grade pertains to receivables with more than 3 defaults in payment

The unquoted AFS financial assets are unrated.

Interest rate risk

The Group's interest rate risk management policy centers on reducing the overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Group's interest-bearing debt obligations with floating interest rate as it can cause a change in the amount of interest payments.

The Group manages its interest rate risk by leveraging on its premier credit rating and increasing the fixed interest component of its debt portfolio. The Company's ratio of fixed to floating rate debt stood at around 62:38 and 76:24 as of December 31, 2011 and 2010, respectively.

The following tables demonstrate the sensitivity of the Group's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2011 and 2010, with all variables held constant, (through the impact on floating rate borrowings and changes in fair value of financial assets at FVPL and AFS financial assets):

2011

	Effect on income before income tax	
	Increase (decrease)	
<u>Change in basis points</u>	<u>+ 100 basis points</u>	<u>- 100 basis points</u>
	(In Thousands)	
Floating rate borrowings	(P129,987)	P129,987

	Effect on equity	
	Increase (decrease)	
<u>Change in basis points</u>	<u>+ 100 basis points</u>	<u>- 100 basis points</u>
	(In Thousands)	
AFS financial assets	(P3,196)	P3,196

2010

	Effect on income before income tax	
	Increase (decrease)	
<u>Change in basis points</u>	<u>+ 100 basis points</u>	<u>- 100 basis points</u>
	(In Thousands)	
Financial assets at FVPL	(P576)	P578
Floating rate borrowings	(55,868)	55,868
	(P56,444)	P56,446



Change in basis points	Effect on equity	
	Increase (decrease)	
	+ 100 basis points	- 100 basis points
	(In Thousands)	
AFS financial assets	(¥3,105)	¥3,105

The assumed change in rate is based on the currently observable market environment. There is no other impact on the Group's equity other than those already affecting the net income.



The terms and maturity profile of the interest-bearing financial assets and liabilities, together with their corresponding nominal amounts and carrying values are shown in the following table (in thousands):

2011

Group	Interest terms (p.a.)	Rate Fixing Period	Nominal Amount	1 to 5 years			Carrying Value
				< 1 year	1 to 5 years	> 5 years	
Cash and cash equivalents							
(excluding cash on hand)	Fixed at the date of investment	Various	₱24,568,957	₱24,568,957	₱-	₱-	₱24,568,957
Short-term investments	Fixed at the date of investment or revaluation cut-off	Various	191,987	191,987	-	-	191,987
Financial assets at FVPL	Fixed at the date of investment or revaluation cut-off	5 years	-	-	-	-	-
AFS financial assets	Fixed at the date of investment or revaluation cut-off	Various	216,933	-	216,933	-	216,933
Accounts and notes receivable	Fixed at the date of sale	Date of sale	13,790,171	4,978,814	5,930,444	151,585	11,060,843
			₱38,768,048	₱29,739,758	₱6,147,377	₱151,585	₱36,038,720
Company							
Short-term debt - US Dollar	Variable	Monthly	₱1,471,538	₱1,471,538	₱-	₱-	₱1,471,538
Long-term debt							
<i>Fixed</i>							
Peso	Fixed at 7.375% to 7.75%	7 and 10 years	295,000	-	295,000	-	295,000
Peso	Fixed at 7.76% to 8.90%	5, 7 and 10 years	2,380,000	-	1,103,200	1,276,800	2,380,000
Peso	Fixed at 8.75%	5 years	4,000,000	-	4,000,000	-	4,000,000
Peso	Fixed at 5%	3 years	325,390	325,390	-	-	325,390
Peso	Fixed at 5%	3 years	417,900	-	417,900	-	417,900
Peso	Fixed at 5%	3 years	173,715	-	173,715	-	173,715
Peso	Fixed at 5.625% to 7.50%	5, 10 and 15 years	10,000,000	-	5,786,000	4,214,000	10,000,000
<i>Floating</i>							
Peso	Variable	7 years	1,000,000	-	1,000,000	-	1,000,000
Subsidiaries							
Short-term debt							
Peso	Variable	Monthly, quarterly	3,129,000	3,129,000	-	-	3,129,000
US Dollar	Variable	Monthly, quarterly	38,306	38,306	-	-	38,306
Long-term debt							
<i>Fixed</i>							
Peso	Fixed at 4.50% to 9.72%	5 to 7 years	3,940,019	821,261	3,109,533	9,225	3,940,019
<i>Floating</i>							
Peso	Variable at 0.50% to 2.00% over 91-day PDST-R1/R2	Quarterly	7,118,783	410,110	6,279,533	429,140	7,118,783
US Dollar	Variable at 1.30% over 3-month LIBOR	Quarterly	241,120	-	241,120	-	241,120
			₱34,530,771	₱6,195,605	₱22,406,001	₱5,929,165	₱34,530,771



2010

		Interest terms (p.a.)		Rate Fixing	Nominal	< 1 year	1 to 5 years	> 5 years	Carrying
				Period	Amount				Value
Group									
Cash and cash equivalents									
(excluding cash on hand)									
Short-term investments		Fixed at the date of investment		Various	₱18,005,371	₱18,005,371	₱-	₱-	₱18,005,371
Financial assets at FVPL		Fixed at the date of investment or revaluation cut-off		Various	1,434,337	1,434,337	-	-	1,434,337
AFS financial assets		Fixed at the date of investment or revaluation cut-off		5 years	404,008	404,008	-	-	404,008
Accounts and notes receivable		Fixed at the date of sale		Various	219,540	-	219,540	-	219,540
				Date of sale	9,369,504	6,077,743	1,567,152	474,348	8,119,243
					₱29,432,760	₱25,921,459	₱1,786,692	₱474,348	₱28,182,499
Company									
Short-term debt – US Dollar									
Long-term debt									
<i>Fixed</i>									
Peso		Variable		Monthly	₱643,042	₱643,042	₱-	₱-	₱643,042
		Fixed at 7.25% to 7.75%		5, 7 and 10 years	3,000,000	1,830,000	1,170,000	-	3,000,000
Peso		Fixed at 7.75% to 8.90%		5, 7 and 10 years	2,380,000	-	259,900	2,120,100	2,380,000
Peso		Fixed at 8.75%		5 years	4,000,000	-	4,000,000	-	4,000,000
Peso		Fixed at 5%		3 years	194,600	-	194,600	-	194,600
Peso		Fixed at 5%		3 years	204,030	-	204,030	-	204,030
<i>Floating</i>									
Peso		Variable at 0.96% over 91-day PDST-R1		Quarterly	10,000	-	10,000	-	10,000
Subsidiaries									
Short-term debt									
Long-term debt									
<i>Fixed</i>									
Peso		Variable		Monthly, quarterly	2,247,000	2,247,000	-	-	2,247,000
		Fixed at 5.5% to 9.72%		5 to 7 years	6,258,554	416,379	5,829,725	12,450	6,258,554
<i>Floating</i>									
Peso		Variable at 0.65% to 2.00% over 91-day PDST R1/R2		Quarterly	2,033,707	81,781	1,716,826	235,100	2,033,707
					₱20,970,933	₱5,218,202	₱13,385,081	₱2,367,650	₱20,970,933



Foreign currency risk

Financial assets and credit facilities of the Group, as well as major contracts entered into for the purchase of raw materials, are mainly denominated in Philippine Peso. The Group's placements in foreign currencies and the amount of foreign currency-denominated debt are minimal. As such, the Group's foreign currency risk is minimal.

The following table shows the Group's consolidated foreign currency-denominated monetary assets and liabilities and their peso equivalents as of December 31, 2011 and 2010:

	2011		2010	
	US Dollar	Php Equivalent	US Dollar	Php Equivalent
(In Thousands)				
Financial Assets				
Cash and cash equivalents	\$24,511	₱1,074,565	\$35,316	₱1,549,499
Short-term investments	2,199	96,415	5,404	236,896
Accounts and notes receivable - net	4,472	196,045	4,472	196,045
Total	\$31,182	₱1,367,025	\$45,192	1,982,440
Financial Liabilities				
Accounts and other payables	1,008	44,178	1,008	44,178
Short-term debt	34,440	1,509,844	14,668	643,042
Long-term debt	7,670	336,253	-	-
Other noncurrent liabilities	978	42,877	2,518	110,397
Total	44,096	1,933,152	18,194	797,617
Net foreign currency denominated assets	(\$12,914)	(₱566,127)	\$26,998	₱1,184,823

In translating the foreign currency-denominated monetary assets in peso amounts, the exchange rates used were ₱43.84 to US\$1.00, ₱43.84 to US\$1.00, and ₱46.20 to US\$1.00, the Philippine Peso - US dollar exchange rates as of December 31, 2011, 2010 and 2009, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the Philippine peso-US dollar exchange rate, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

Change in exchange rate	Effect on profit before tax Increase (decrease)	
	2011	2010
	(In Thousands)	
₱1.00	(₱12,914)	₱26,998
(₱1.00)	12,914	(26,998)

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

Equity Price risk

Quoted AFS financial assets are acquired at a certain price in the market. Such investment securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. Depending on several factors such as interest rate movements, country's economic performance, political stability, domestic inflation rates, these prices change, reflecting how market participants view the developments.

The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; limits on investment in each country, sector and market.



The analysis below demonstrates the sensitivity to a reasonably possible change of market index with all other variables held constant, of the Group's equity (in thousands).

Change in PSEi index	Effect on equity Increase (decrease)	
	2011	2010
	(In Thousands)	
+5%	₱622	₱16
-5%	(622)	(16)

31. Segment Information

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

Core business:

- Shopping centers - development of shopping centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts, entertainment facilities and carparks in these shopping centers; management and operation of malls which are co-owned with partners
- Corporate business - development and lease or sale of office buildings; sale of industrial lots and lease of factory building
- Residential developments - sale of high-end and upper middle-income residential lots and units, affordable housing units and lots, economic housing and leisure community developments; lease of residential developments under joint venture
- Strategic landbank management and Visayas-Mindanao - acquisition, development and sale of large-scale, mixed-use, masterplanned communities; sale of override units or the Company's share in properties made available to subsidiaries for development; lease of gas station sites and carparks outside Ayala Center. This also includes development, sale and lease, shopping centers and residential developments of the Group's product offerings in key cities in the Visayas and Mindanao regions
- Construction - land development and construction of the Group and third-party projects

Support Businesses:

- Hotels and Resorts - development and management of hotels and resorts/serviced apartments and lease of land to hotel tenants
- Property management - facilities management of the Group and third-party projects
- Others - other income from investment activities and sale of non-core assets.

In 2010, the Visayas-Mindanao business segment was combined with Strategic Landbank Management.

The Company and its subsidiaries generally account for inter-segment sales and transfers as if the sales and transfers were to third parties at current market prices.



Business segments

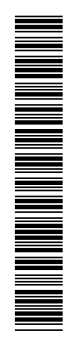
The following tables regarding business segments present assets and liabilities as of December 31 and revenue and profit information for each of the three years in the period ended December 31 (in millions).

2011

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas- Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱4,965	₱2,550	₱22,149	₱3,060	₱5,151	₱3,356	₱-	₱-	₱41,231
Intersegment sales	459	-	367	100	8,620	209	-	(9,755)	-
Equity in net earnings of associates and jointly controlled entities	291	-	(3)	580	-	-	30	-	898
Total revenue	5,715	2,550	22,513	3,740	13,771	3,565	30	(9,755)	42,129
Operating expenses	3,028	1,295	16,928	2,218	13,052	2,698	1,446	(9,244)	31,421
Operating profit	2,687	1,255	5,585	1,522	719	867	(1,416)	(511)	10,708
Interest income									1,532
Interest expense and other financing charges									(1,632)
Other income									544
Other charges									(443)
Provision for income tax									(2,619)
Net income									₱8,090
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱7,140
Non-controlling interests									950
									₱8,090



	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao			Support Businesses	Corporate	Intersegment Adjustments	Consolidated
				Mindanao	Construction	Construction				
Other Information										
Segment assets	₱28,184	₱22,475	₱89,602	₱11,920	₱15,795	₱7,456	₱14,251	₱ (49,637)	₱140,046	
Investment in associates and jointly controlled entities	2,011	—	448	8,686	—	—	1,481	—	12,626	
	30,195	22,475	90,050	20,606	15,795	7,456	15,732	(49,637)	152,672	
Deferred tax assets	8	32	110	253	14	25	1,378	128	1,948	
Total assets	30,203	22,507	90,160	20,859	15,809	7,481	17,110	(49,509)	154,620	
Segment liabilities	12,020	7,777	31,002	3,517	13,623	2,457	21,938	(10,436)	81,898	
Deferred tax liabilities	—	19	274	4	—	—	437	(55)	679	
Total liabilities	₱12,020	₱7,796	₱31,276	₱3,521	₱13,623	₱2,457	₱22,375	₱(10,491)	₱82,577	
Segment additions to:										
Property and equipment	₱104	₱95	₱80	₱5	₱404	₱1,437	₱54	₱—	₱2,179	
Investment properties	2,498	1,611	210	—	—	—	—	—	4,319	
Depreciation and amortization	₱939	₱534	₱152	₱60	₱106	₱213	₱269	₱—	₱2,273	
Non-cash expenses other than depreciation and amortization	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱—	
Impairment losses	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱—	



2010

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱4,597	₱2,402	₱16,404	₱3,149	₱6,177	₱2,679	₱-	₱-	₱35,408
Intersegments sales	404	-	157	467	3,514	194	-	(4,736)	-
Equity in net earnings of associates and jointly controlled entities	250	-	-	620	-	-	36	-	906
Total revenue	5,251	2,402	16,561	4,236	9,691	2,873	36	(4,736)	36,314
Operating expenses	2,875	1,261	13,251	2,693	9,388	2,506	1,134	(4,972)	28,136
Operating profit	2,376	1,141	3,310	1,543	303	367	(1,098)	236	8,178
Interest income									1,065
Interest expense and other financing charges									(1,539)
Other income									434
Other charges									(278)
Provision for income tax									(1,572)
Net income									₱6,288
Net income attributable to: Equity holders of Ayala Land, Inc. Non-controlling interests									₱5,458 830 ₱6,288
Other Information									
Segment assets	₱22,785	₱24,119	₱75,887	₱10,378	₱8,546	₱6,329	₱40	(₱38,701)	₱109,383
Investment in associates and jointly controlled entities	2,119	501	-	8,226	-	-	-	-	10,846
Deferred tax assets	24,904	24,620	75,887	18,604	8,546	6,329	40	(38,701)	120,229
Total assets	₱8,930	₱6,879	₱24,436	₱3,001	₱6,984	₱1,198	₱13,121	(₱8,315)	₱122,302
Segment liabilities									₱56,234
Deferred tax liabilities									598
Total liabilities									₱56,832
Segment additions to: Property and equipment Investment properties Depreciation and amortization Non-cash expenses other than depreciation and amortization Impairment losses	₱61 1,664 ₱638	₱9 1,246 ₱454	₱211 - ₱94	₱2 - ₱277	₱-	₱724	₱-	₱139	₱1,146 2,910 ₱1,807
	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-
	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-



2009

	Shopping Centers	Corporate Businesses	Residential Development	Strategic Landbank Management and Visayas-Mindanao	Construction	Support Businesses	Corporate	Intersegment Adjustments	Consolidated
Revenue									
Sales to external customers	₱4,443	₱1,993	₱14,002	₱2,342	₱2,714	₱2,244	₱-	₱-	₱27,738
Intersegments sales	446	-	275	253	5,487	212	-	(6,673)	-
Equity in net earnings of associates and jointly controlled entities	176	-	-	788	-	-	4	-	968
Total revenue	5,065	1,993	14,277	3,383	8,201	2,456	4	(6,673)	28,706
Operating expenses	2,700	1,078	11,676	1,971	7,767	2,155	862	(6,400)	21,809
Operating profit	2,365	915	2,601	1,412	434	301	(858)	(273)	6,897
Interest income									1,117
Interest expense and other financing charges									(1,345)
Other income									632
Other charges									(1,455)
Provision for income tax									(1,165)
Net income									₱4,681
Net income attributable to:									
Equity holders of Ayala Land, Inc.									₱4,039
Non-controlling interests									642
									₱4,681
Other Information									
Segment assets	₱18,410	₱18,832	₱59,806	₱10,595	₱6,466	₱2,760	₱9,938	(₱30,941)	₱95,866
Investment in associates and jointly controlled entities	2,093	-	-	8,253	-	-	452	-	10,798
Deferred tax assets	20,503	18,832	59,806	18,848	6,466	2,760	10,390	(30,941)	106,664
Total assets	₱7,392	₱5,662	₱18,771	₱3,571	₱5,060	₱1,246	₱12,616	(₱5,922)	₱48,396
Segment liabilities									151
Deferred tax liabilities									₱48,547
Total liabilities									₱48,547
Segment additions to:									
Property and equipment and investment properties	₱1,131	₱431	₱154	₱458	₱-	₱151	₱3,218	(₱648)	₱4,895
Depreciation and amortization	₱967	₱361	₱76	₱11	₱108	₱147	₱117	₱-	₱1,787
Non-cash expenses other than depreciation and amortization	₱80	₱-	₱87	₱1,112	₱4	₱1	₱3	₱-	₱1,287
Impairment losses	₱80	₱-	₱29	₱617	₱4	₱1	₱3	₱-	₱734



32. Registration with Philippine Economic Zone Authority (PEZA) / Board of Investments (BOI)

LTI is registered with PEZA on October 27, 1999 as a non-pioneer “ecozone developer/operator”. The PEZA registration entitled the subsidiary to a four-year income tax holiday from the start of its commercial operations. At the expiration of its four-year tax holiday, the subsidiary pays income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

Likewise, Ceci Realty, Inc. also became registered with PEZA in 2007 as the “developer/operator” of the Lakeside Ecozone.

Glensworth Development, Inc., a wholly owned subsidiary of APPCo, is registered with PEZA as an Economic Zone Information IT Facility Enterprise to construct a 4-storey building at the Lakeside Evozone, Barangay Sta. Rosa, Laguna for lease to PEZA-registered enterprises. As a PEZA-registered enterprise, the Company is entitled to incentives which, among others, include a lower income tax rate of 5% on gross income in lieu of all national and local taxes.

Hillsford Property Corp., a wholly owned subsidiary of the Company, was registered with PEZA last January 29, 2009 as an Ecozone Facilities Enterprise at the John Hay Special Tourism Economic Zone located in Baguio.

Sunnyfield E-Office Corp., a wholly owned subsidiary of the Company, was registered with PEZA last December 17, 2010 as a Developer/Operator of Iloilo Technohub.

Crestview E-Office Corp., a wholly owned subsidiary of Ayala Land Inc, was registered with PEZA last December 17, 2010 as an Ecozone Facilities Enterprise at the Ayala Northpoint Technohub located in Bacolod.

33. Leases

Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.

Future minimum rentals receivable under noncancellable operating leases of the Group follow:

	2011	2010
	(In Thousands)	
Within one year	₱2,210,918	₱1,533,305
After one year but not more than five years	5,560,887	4,239,072
More than five years	1,384,795	1,820,845
	₱9,156,600	₱7,593,222

Operating Leases - Group as Lessee

The Group entered into lease agreements with third parties. These leases generally provide for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher.



Future minimum rentals payable under noncancellable operating leases of the Group follow:

	2011	2010
	(In Thousands)	
Within one year	₱128,971	₱128,179
After one year but not more than five years	496,304	505,599
More than five years	1,256,247	1,365,237
	₱1,881,522	₱1,999,015

On January 28, 2011, a notice was given to the Company for the ₱4.0 billion development of a 7.4-hectare lot at the University of the Philippines' Diliman East Campus, also known as the UP Integrated School, along Katipunan Avenue, Quezon City. The Company signed a 25-year lease contract for the property last June 22, 2011, with an option to renew for a 58,000 square meters another 25 years by mutual agreement. The project involves the construction of a retail establishment with 63,000 square meters of available gross leasable area and a combination of Headquarter-and-BPO- type buildings with an estimated 8,000 square meters of office space.

34. Interest in a Joint Venture

MDC has a 51% interest in Makati Development Corporation - First Balfour, Inc. Joint Venture (the Joint Venture), a jointly controlled operation whose purpose is to design and build St. Luke's Medical Center (the Project) in Fort Bonifacio Global City, Taguig.

The Project, which started on January 31, 2007, is a world-class medical facility comprising, more or less, of a 611-bed hospital and a 378-unit medical office building, with an approximate gross floor area of 154,000 square meters, which meets international standards, and all standards and guidelines of applicable regulatory codes of the Philippines and complies with the criteria of the Environment of Care of the Joint Commission International Accreditation. The project was completed on October 30, 2009. Activities in 2010 to 2011 mainly pertain to winding down operations and punch listing works.

The share of MDC in the net assets and liabilities of the Joint Venture at December 31, 2011 and 2010 which are included in the consolidated financial statements follow:

	2011	2010
	(In Thousands)	
Current assets		
Cash and cash equivalents	₱24,622	₱30,384
Receivables	-	130,928
Amounts due from customers for contract work	10,582	8,415
Other current assets	54,809	53,780
Property and equipment - net	-	1
Total assets	₱90,013	₱223,508
Total liabilities	₱66,968	₱109,349



The following is the share of the MDC on the net income of the Joint Venture:

	2011	2010
	(In Thousands)	
Revenue from construction contracts	₱2,069	₱20,841
Contract costs	(9,687)	(31,702)
Interest and other income	2,490	4,833
Loss before income tax	(5,128)	(6,028)
Provision for income tax	(148)	(115)
Net loss	(₱5,276)	(₱6,143)

The Joint Venture's Management Board declared and paid cash dividends amounting to ₱185.3 million 2010. Based on 51% share, MDC received ₱94.5 million cash dividends in 2010.

Provision for income tax pertains to the final tax on interest income.

35. Long-term Commitments and Contingencies

Commitments

The Company and Manila Water Company (MWC) entered into a joint venture agreement to establish a water utility services company which will manage and operate all water systems in Nuvali, as well as, adjacent projects of the Company in Laguna. The joint venture company has not been established as of December 31, 2011.

The Company has signed a 50-year lease agreement with the Subic Bay Metropolitan Authority (SBMA), for the development of a 7.5-hectare property along Rizal Highway within the Subic Bay Freeport Zone, located between the two main gates linking the Freeport Zone to Olongapo City.

On October 27, 2006, a subsidiary entered into a land lease agreement with a third party for a term of 25 years. The lease generally provides for a monthly rent based on a certain percentage of gross revenue.

The Company has an existing contract with BCDA to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱106.5 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to SSECC, a subsidiary, in exchange for equity.

As part of the bid requirement, the Company procured a performance bond in 2003 from the Government Service Insurance System in favor of BCDA amounting to ₱3.9 billion to guarantee the committed capital to BCDA. Moreover, SSECC obtained standby letters of credit to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement.

MDC, in the normal course of business, furnishes performance bonds in connection with its construction projects. These bonds shall guarantee MDC's execution and completion of the work indicated in the respective construction contracts.



Development Commitment

On October 18, 2010, the Company undertook to cause the planning, developing and construction of Anvaya Golf and Sports Club, Inc's leisure and recreational facilities. The Company shall ensure the development and construction by second quarter of the year 2013 for an estimated total development cost of ₱920.0 million.

Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts or being contested, the outcome of which are not presently determinable.

In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations.

36. Note to Statements of Cash Flows

The noncash activities of the Group pertains to transfers from land and improvements to inventories amounting to ₱1,364.5 million, ₱5,148.9 million and ₱805.0 million in 2011, 2010 and 2009 respectively; transfers from investment properties to inventories amounting to ₱171.2 million and ₱391.4 million in 2011 and 2010 respectively; transfers from property and equipment to inventories amounting to ₱257.3 million in 2011; transfers from property and equipment to investment properties amounting to ₱5,998.2 million in 2009.

37. Events After Reporting Date

On February 20, 2012, the BOD approved the following restructuring exercise in order to comply with the regulatory requirement on Filipino-ownership following the Supreme Court's ruling that nonvoting shares do not count as equity when computing for a company's Filipino-ownership level:

- a. Redemption and retirement of the 13.0 billion outstanding preferred shares.
- b. Reclassification of the 1.97 billion unissued preferred shares to voting preferred shares through an amendment of Article Seventh of the Articles of Incorporation.
- c. Increase in authorized capital stock by ₱1.3 billion through additional voting preferred shares and stock rights offer of 13.0 billion voting preferred share from the increase in the authorized capital stock.

Also, the BOD also approved the issuance of bonds in the amount of up to ₱15.0 billion which are to be registered with the SEC. The bonds will have tenors of seven and ten years. Net proceeds will be used to partially finance the Group's planned capital expenditure for 2012.

