

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATIONS CODE (SRC) AND SRC RULE 17(a)-1(b)(3) THEREUNDER

- 1. **February 5, 2007**  
Date of Report (Date of earliest event reported)
- 2. **152747**  
SEC Identification Number
- 3. **050-000-153-790**  
BIR Tax Identification Number
- 4. **AYALA LAND, INC.**  
Exact Name of registrant as specified in its charter
- 5. **MAKATI CITY, PHILIPPINES**  
Province, country or other jurisdiction of incorporation
- 6.  (SEC Use Only)  
Industry Classification Code
- 7. **29/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City**  
Address of principal office
- 1226**  
Postal code
- 8. **(632) 848-5313**  
Registrant's telephone number, including area code
- 9. **Not Applicable**  
Former name or former address, if changed since last report
- 10. Securities registered pursuant to Sections 4 and 8 of the SRC

As of December 31, 2006

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
<b>COMMON SHARES</b>	<b>10,844,237,636</b>	<b>P 13.1 Billion</b>

Indicate the item numbers reported herein : **Please refer to attached letter**

Re: 2006 Unaudited Financial Results

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

**AYALA LAND, INC.**  
Registrant

original copy signed

Date : **February 5, 2007**

**JAIME E. YSMAEL**  
Senior Vice President, CFO,  
and Compliance Officer

SEC Reg. No. 152747  
SEC Sec. Code No. E-5000

February 5, 2007

**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Mandaluyong City

Attention: **Director Justina F. Callangan**  
Corporation Finance Department

**PHILIPPINE STOCK EXCHANGE**  
4/F PSE Center, Exchange Road  
Ortigas Center, Pasig City

Attention: **Atty. Pete M. Malabanan**  
Head, Disclosure Department

Gentlemen,

We submit herewith Ayala Land's unaudited consolidated financial results for the year ended December 31, 2006.

**Results of Operations**

Ayala Land's consolidated revenues in 2006 hit a new high of Php 25.5 billion, 20% higher than the previous year's Php 21.4 billion, notwithstanding the absence of extraordinary gains generated from the sale of the company's MRT investment in 2005. Operating revenues, excluding interest and other investment income, totaled Php 23.6 billion and grew at an even higher rate of 37%. Heightened activity across all business lines drove operating revenues, with residential development and leasing businesses contributing the bulk.

With controlled operating costs, net operating income (NOI) margins on a per business line basis held steady. Overall NOI margin, however, was slightly lower due to the shift in revenue mix given the faster growth in residential development compared to the higher-margin leasing business. Meanwhile, total overhead costs declined, as the moderate increase in general and administrative expenses of 12%, was more than offset by the significant decrease in interest and other charges, given last year's provisions for decline in value of assets intended to be sold or written off. As a result, income before tax grew by 29% to Php 5.7 billion in 2006, even with lower investment income from sale of shares.

Income growth, however, was tempered by the 188% increase in tax provision to Php 1.6 billion, following the 3-percentage point increase in corporate income tax rate and higher operating income subjected to the 35% income tax rate versus the capital gain from the sale of shares in 2005 that was taxed at a lower rate.

Ayala Land ended 2006 with a net income of Php 3.9 billion, 7% higher than the Php 3.6 billion registered in 2005. Netting out extraordinary items (i.e. after tax gain from the MRT transaction and provisions), net income for 2006 would have been 27% higher than the previous year's Php 3.2 billion.

"The year 2006 proved to be a successful year for Ayala Land as it benefited from positive economic

developments which ushered in improved buyer confidence. The company also continued to capitalize on the significant growth in the OFW and BPO markets which buoyed demand for residential and commercial real estate products. Through deliberate expansion of product offerings, diversification into new growth areas, and venture into strategic investments, the company, backed by its strong financials, is in an even better position to tap the opportunities arising from favorable structural changes that drive growth in the property sector.” said Ayala Land President and Chief Executive Officer Jaime I. Ayala.

## **Business Segments**

The Residential Development business accounted for the bulk of revenues at Php 14.0 billion or 55% of total revenues. This was followed by Shopping Centers at Php 4.0 billion or 15% of total and Corporate Business at Php 1.3 billion or 5% of total. Strategic Landbank Management contributed 3% or Php 707 billion, while Visayas-Mindano generated Php 168 million or 1%.

Collectively, the Support Businesses, comprised of Hotels, Construction and Property Management, reported revenues of Php 3.4 billion or 13% of total revenues. Equity in Net Earnings of Investees, Interest, Fees, Investment and Other Income accounted for the balance of 8% or Php 2.0 billion.

### ***Residential Development***

There was a 47% year-on-year (y-o-y) growth in Residential Development revenues to Php 14.0 billion as high double digit growth rates were reported by Ayala Land Premier and Community Innovations, Inc.

Revenues of Ayala Land Premier (ALP) reached Php 8.5 billion, 65% more than the previous year. Revenues booked from the sale of 430 condominium units reached Php 5.3 billion, more than double 2005’s Php 2.6 billion, while the sale of 456 lots generated Php 2.7 billion in revenues. Lots booked included 216 lots in Ayala Westgrove Heights and 135 lots in Ayala Greenfield Estates.

ALI’s first leisure community project, Anvaya Cove, contributed Php 593 million in revenues. This is a 242% increase from last year’s revenues as an additional 402 beach club shares, 57 lots and 7 villas were booked.

The bulk of ALP’s condominium sales was accounted for by The Residences at Greenbelt at 224 units. At the end of the year, 72% of the 1,003-unit, three tower project, had been taken-up. One Serendra in Bonifacio Global City booked sales of 152 units while One Roxas Triangle sold 22 units.

Community Innovations reported revenues of Php 3.7 billion, 71% higher than 2005’s Php 2.2 billion. A total of 785 units were booked, 37% higher y-o-y, mainly coming from high-rise projects. The Columns at Ayala Avenue and its Legazpi Village sequel accounted for 74 and 302 units, respectively, while Two Serendra contributed 163 units.

Meanwhile, Avida Land’s revenues amounted to Php 1.8 billion. This translates to an 18% decline from last year’s revenues mainly due to the standardization of the revenue recognition policy in 2Q06. This also affected the number of units booked which stood at 1,033, a 33% decline from 2005. Without the change, revenues would have grown 11% y-o-y to Php 2.4 billion while booked units would have reached 1,632 representing a 6% growth. Affordable condominiums accounted for the bulk of booked units at 792.

NOI of Residential Development settled at Php 3.1 billion in 2006, 30% more than last year and accounted for 41% of total NOI. There was a slight decline in NOI margins to 22% from 25%, largely due

to losses booked from the sale of One Roxas Triangle units in 2Q06.

Over 7,000 units from new projects and additional phases of existing projects will be added to inventory in 2007. This is over 50% more than the 4,600 units of additional inventory brought into the market in 2006. Some of the new residential projects will be in new locations north of Metro Manila, as well as in the 1,700 hectare Canlubang landbank.

### ***Shopping Centers***

Shopping Centers reported a 12% rise in revenues to Php 4.0 billion in 2006. This is attributed to the higher occupancy rate across all malls which averaged at 92% from 91% in 2005, as well as higher average rent and the increase in gross leasable area (GLA) from 754,000 square meters to 760,000 square meters. The increase in GLA is mainly from the 6,400-square meter Shops at Serendra which soft opened in July. Its occupancy rate averaged at 31% in 2006 and at the end of the year, spaces were nearly fully leased/committed.

There was a slight improvement in NOI margin to 62% from 60%, resulting in a 16% growth in NOI to Php 2.4 billion. This accounted for 33% of total NOI.

In 2007, an additional 195,000 square meters of GLA will come on stream from the opening of TriNoma in Quezon City in May. About 13,000 square meters of Greenbelt 5 will also be operational later in the year. Construction will start soon on the 70,000-square meter mall in Pampanga.

### ***Corporate Business***

Revenues from Corporate Business reached Php1.3 billion in 2006, a 111% growth y-o-y. The high growth was due to the sale of 1,407 square meters at Ayala Life-FGU, full year contribution of the three BPO buildings (started 3Q05) and the 8 percentage point rise in 6750's occupancy rate to 98%. On the average, ALI's traditional office buildings enjoyed an occupancy rate of 98%, an improvement from 2005's 93%.

Consequently, NOI margin improved to 40% from 38% with NOI settling at Php 528 million, compared to Php 240 million in 2005. This represents 7% of total NOI.

In December, the company announced the sale of the PeopleSupport BPO building to a partnership between ALI, MLT Investments (Goldman Sachs) and Filipinas Investments (Capmark). ALI's effective economic interest in the partnership is 36%. This partnership provides a new platform to raise capital that will help accelerate growth of ALI's BPO portfolio. Very recently, the partnership broke ground for a 47,000-square meter office building along Dela Rosa Street in Makati.

Further tapping the growing BPO market, ALI will start development on two BPO campus projects within 2007. Additional 28,000 sqms of GLA will be added by the first two buildings in the 38-hectare UP Science and Technology Park project as they get completed in 4Q2008. In addition, the company will launch its 20-hectare BPO campus project in Canlubang within the second half of the year.

### ***Strategic Landbank Management***

Strategic Landbank Management's revenues are generated mainly from override units from The Columns at Ayala Avenue and Legazpi Village, as well as Avida Towers Sucat, Avida Residences Catalina and Sampaguita Village. Additional bookings only reached 96 units from 176 in 2005, but additional revenues from construction accomplishment of previous bookings boosted revenues. Revenues amounted to Php 707 million in 2006, 46% higher than the previous year.

Bonifacio High Street, a 40-meter wide, 500-meter long retail/office promenade in the City Center of Bonifacio Global City soft opened in November 2006, with the grand launch scheduled for March 2007. At the end of 2006, 86% of the 14,000-square meter retail component was committed while 100% of the 6,400 square meters of office space have been reserved.

NOI of Strategic Landbank Management stood at Php 325 million in 2006, 94% more than the year-ago figure as NOI margin accelerated to 46% from 35% during the same period. Contribution amounted to 4% of total NOI.

During the latter part of 2007, there will be an integrated launch of the Canlubang project which will include residential, office and retail components. Moreover, the masterplan of Ayala Center is currently being reviewed and plans for redevelopment should be ready within the year.

### ***Visayas-Mindanao***

The revenue contribution of Visayas-Mindanao amounted to Php 168 million or 1% of total revenues. With the 8% decline in revenues and the drop in NOI margin to 7% from 11% y-o-y, NOI was lower at Php 12 million from Php 21 million in 2005.

A total of 136 units were booked in Ayala Northpoint and Plantacionne Verdana Homes in Talisay, Negros Occidental, lower than the 148 units booked in the previous year. Revenue adjustments at Ayala Heights Cebu pulled down Visayas-Mindanao's revenues and NOI margin.

In 2007, ALI will launch residential projects in new areas in Western Visayas and Northern Mindanao, which should enhance revenues going forward.

### ***Support Business***

The Hotels, Construction and Property Management businesses generated revenues, net of inter-company eliminations, of Php 3.4 billion, a 20% growth y-o-y. Of this amount, the Hotels generated Php 1.1 billion, improving by 3% from previous year. The minimal increase in Hotel revenues is attributed to the partial closure of Hotel InterContinental Manila as refurbishment work was done from April to November. As a result, the hotel's average occupancy rate in 2006 dropped to 61% from 76% in the previous year. However, the hotel has been close to being fully occupied since its re-launch in November.

On the other hand, Cebu City Marriott Hotel continued to enjoy higher-than-average occupancy rates at 81% (versus the Cebu average of 61%). Revenue per available room (REVPAR) is also above industry average at Php 2,532. Oakwood Premier Ayala Center also registered above-average occupancy rates at 91% (versus the Makati CBD average of 77%) and REVPAR at Php 5,100. The Hotels, excluding Oakwood whose operating results are shown as a separate item in the income statement, contributed Php 370 million to ALI's NOI.

Makati Development Corporation (MDC), ALI's wholly-owned construction arm, reported revenues of Php 1.4 billion (net of inter-company eliminations), representing a 37% growth over the previous year's revenues. As of end-2006, MDC had an outstanding orderbook worth Php 8.9 billion from 25 projects. About 38% of the outstanding contracts were for third parties. The construction business contributed Php 349 million to ALI's NOI.

Ayala Property Management Corporation (APMC), a 100%-owned subsidiary, reported revenues of Php 604 million (net of inter-company eliminations) for 2006, 24% more than the previous year's level. The additional revenues came from new management contracts obtained during the year including three

buildings and 36 branches of Citibank, and seven carparks at Bonifacio Global City. APMC's NOI amounted to Php 229 million, a 37% growth y-o-y.

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

In 2006, Interest, Fees, Investment and Other Income declined 58% from the 2005 level of Php 4.0 billion to Php 1.7 billion, as the former included the Php 2.6 billion gain (before tax) from the MRT-3 transaction.

Equity in net earnings from Investees amounted to Php 306 million, 35% more than the amount earned in 2005, primarily due to higher equity earnings from Cebu Holdings, Inc. and Alabang Commercial Corporation, as well as recognition of goodwill arising from additional investment in Bonifacio Land Corporation.

Cebu Holdings reported a 51% y-o-y increase in revenues to Php 1.0 billion in 2006 with the full year contribution of the highly successful seaside residential project, Amara, coming in, as well as the sale of two lots at Cebu Business Park and the remaining two units at Park Tower. Net Income grew 76% y-o-y to Php 207 million.

### **Expenses**

Total Expenses for 2006 reached Php 19.9 billion, 17% more than 2005's Php 17 billion. Direct Costs and Operating Expenses for the real estate and hotels business reached Php 16.2 billion, representing a 43% increase from the previous year's Php 11.3 billion. The faster growth in direct costs versus the 37% growth in corresponding revenues was due to the larger share of the Residential Development business to total revenues at 55% from 44% last year. Moreover, losses from the sale of One Roxas Triangle units were also booked in 2006.

General and Administrative Expenses amounted to Php 2.6 billion in 2006, 12% higher y-o-y mainly due to higher payroll and employee benefits given additional hiring to support expansion. Interest and other charges totaled Php 1.1 billion, 67% lower than previous year's Php 3.3 billion, as the latter included significant provisions for the decline in value of assets intended to be sold or written off. Additionally, interest expense declined in 2006 as the company's average cost of debt declined to 9.0% from 9.7% in 2005.

### **Project and Capital Expenditures**

For 2006, ALI spent Php 13.7 billion for project and capital expenditures, double the Php 6.8 billion spent in the previous year. About half or Php 6.8 billion was used for Residential Development projects while Shopping Centers accounted for 30% or Php 4.1 billion. Around 10% or Php 1.3 billion was used for ALI's international investment which is being undertaken jointly with Ayala Corporation. This investment will allow ALI to leverage on its expertise and capture growth opportunities in Asia.

### **Financial Condition**

Net cash provided by operating activities amounted to Php 5.8 billion in 2006, with Php 1.9 billion generated from the sale of installment contracts receivables. As a result of better operating results, ALI was able to pay cash dividends of Php 1.8 billion during the year, representing Php 0.06 per share in

regular dividends and Php 0.11 per share in special dividends.

The company's balance sheet remained strong with Current Ratio at 1.64:1. Cash and Equivalents (including short term investments) was at Php 9.5 billion, 41% higher than the end-2005 level of Php 6.8 billion, with the increase attributed to additional cash from operations and the issuance of Php 3.0 billion Fixed Rate Corporate Notes (FXCN) in September, at a blended cost of 7.4%. As a result of the FXCN, total borrowings increased by 22% to Php 13.1 billion from Php 10.7 billion in December 2005, and Debt-to-Equity Ratio slightly increased to 0.32:1 from the previous year's 0.28:1. Nonetheless, Net Debt-to-Equity improved to 0.09:1 from 0.10:1 with Cash and Equivalents increasing faster than total borrowings.

For your information.

Very truly yours,

*original copy signed*

**JAIME E. YSMAEL**

Senior Vice President, Chief Finance Officer,  
and Compliance Officer

**AYALA LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in Thousands)

	<b>December 31</b>	
	<b>2006</b>	2005 (As Restated)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	₱7,558,519	₱6,160,645
Short-term investments	1,951,090	595,393
Accounts and notes receivable - net	10,644,524	6,433,017
Real estate inventories	7,735,587	6,754,425
Other current assets	1,411,034	1,342,241
Total Current Assets	29,300,754	21,285,721
Noncurrent assets held for sale	2,084,317	-
	<b>31,385,071</b>	<b>21,285,721</b>
<b>Noncurrent Assets</b>		
Noncurrent accounts and notes receivable	2,025,352	5,362,692
Land and improvements	16,874,794	17,578,187
Investments in associates and jointly controlled entities - net	8,791,217	6,812,216
Available-for-sale financial assets	414,833	442,491
Investment properties - net	13,032,762	13,208,712
Property and equipment - net	3,725,035	5,073,186
Deferred tax assets - net	782,878	767,104
Other noncurrent assets	1,164,419	1,279,913
Total Noncurrent Assets	46,811,290	50,524,501
	<b>₱78,196,361</b>	<b>₱71,810,222</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts and other payables	₱12,126,683	₱11,202,871
Short-term debt	1,556,000	1,427,000
Income tax payable	147,521	112,344
Current portion of long-term debt	3,563,593	811,697
Other current liabilities	442,620	182,145
Total Current Liabilities	17,836,417	13,736,057
Liabilities directly associated with noncurrent assets held for sale	469,100	-
	<b>18,305,517</b>	<b>13,736,057</b>
<b>Noncurrent Liabilities</b>		
Long-term debt net of current portion	7,717,818	8,484,137
Pension liabilities	91,928	110,283
Deferred tax liabilities - net	415,506	272,967
Noncurrent liabilities and deposits	4,481,679	3,867,600
Total Noncurrent Liabilities	12,706,931	12,734,987
Total Liabilities	<b>31,012,448</b>	<b>26,471,044</b>

(Forward)



	<b>December 31</b>	
	<b>2006</b>	2005 (As Restated)
<b>Equity</b>		
Equity Attributable to Equity Holders of Ayala Land, Inc.		
Paid-up Capital	<b>₱14,580,590</b>	₱14,385,091
Stock Options Outstanding	<b>107,973</b>	119,953
Unrealized Loss on Available-for-sale Financial Assets	<b>(64,123)</b>	(7,508)
Retained Earnings	<b>25,973,445</b>	23,950,660
Treasury Stock	<b>(557)</b>	(557)
	<b>40,597,328</b>	38,447,639
Minority interests	<b>6,586,585</b>	6,891,539
	<b>47,183,913</b>	45,339,178
	<b>₱78,196,361</b>	₱71,810,222

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

	Years Ended December 31		
	2006	2005	2004
	(As Re-presented)	(As Re-presented)	(As Re-presented)
<b>REVENUE AND OTHER INCOME</b>			
Real estate	₱22,501,221	₱16,126,880	₱14,724,906
Hotel operations	1,091,102	1,065,016	984,323
Equity in net earnings of investees	306,233	227,267	253,403
Interest, fees, investment and other income	1,660,286	3,956,206	1,445,743
	<b>25,558,842</b>	<b>21,375,369</b>	<b>17,408,375</b>
<b>COSTS AND EXPENSES</b>			
Real estate	15,448,634	10,622,305	9,329,441
Hotel operations	721,524	709,652	752,928
General and administrative expenses	2,606,054	2,317,235	2,013,919
Interest and other charges	1,093,798	3,312,593	1,263,784
	<b>19,870,010</b>	<b>16,961,785</b>	<b>13,360,072</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>5,688,832</b>	<b>4,413,584</b>	<b>4,048,303</b>
<b>PROVISION FOR INCOME TAX</b>			
Current	1,483,473	1,068,904	1,077,036
Deferred	126,765	(510,072)	125,942
	<b>1,610,238</b>	<b>558,832</b>	<b>1,202,978</b>
<b>INCOME BEFORE INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE</b>	<b>4,078,594</b>	<b>3,854,752</b>	<b>2,845,325</b>
<b>INCOME ASSOCIATED WITH NONCURRENT ASSETS HELD FOR SALE - net of tax</b>	<b>155,258</b>	<b>130,679</b>	<b>100,562</b>
<b>NET INCOME</b>	<b>₱4,233,852</b>	<b>₱3,985,431</b>	<b>₱2,945,887</b>
Net Income (Loss) Attributable to:			
<b>Equity holders of Ayala Land, Inc.</b>	<b>₱3,865,602</b>	<b>₱3,616,673</b>	<b>₱2,986,119</b>
Minority interests	368,250	368,758	(40,232)
	<b>₱4,233,852</b>	<b>₱3,985,431</b>	<b>₱2,945,887</b>
<b>Earnings per Share</b>			
Basic	<b>₱0.36</b>	<b>₱0.34</b>	<b>₱0.28</b>
Diluted	<b>0.36</b>	<b>0.33</b>	<b>0.28</b>

**AYALA LAND, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES**  
**IN EQUITY**

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

	<b>Years Ended December 31</b>		
	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY</b>			
<b>HOLDERS OF AYALA LAND, INC.</b>			
<b>CAPITAL STOCK - ₱1 par value</b>			
Issued			
Balance at beginning of year	<b>₱10,794,539</b>	₱10,774,189	₱10,760,802
Issuance of shares	<b>1,071</b>	65	547
Stock options exercised	<b>14,065</b>	20,285	12,840
Balance at end of year	<b>10,809,675</b>	10,794,539	10,774,189
Subscribed			
Balance at beginning of year	<b>1,116</b>	1,181	1,728
Additions	<b>34,542</b>	-	-
Issuance of shares	<b>(1,071)</b>	(65)	(547)
Balance at end of year	<b>34,587</b>	1,116	1,181
<b>ADDITIONAL PAID-IN CAPITAL</b>			
Balance at beginning of year	<b>3,593,157</b>	3,549,922	3,511,339
Additions	<b>270,274</b>	43,235	38,583
Balance at end of year	<b>3,863,431</b>	3,593,157	3,549,922
<b>SUBSCRIPTIONS RECEIVABLE</b>			
Balance at beginning of year	<b>(3,721)</b>	(4,519)	(9,971)
Additions	<b>(158,897)</b>	-	-
Collections	<b>35,515</b>	798	5,452
Balance at end of year	<b>(127,103)</b>	(3,721)	(4,519)
<b>TOTAL PAID-UP CAPITAL</b>	<b>14,580,590</b>	14,385,091	14,320,773
<b>STOCK OPTIONS</b>			
Balance at beginning of year	<b>119,953</b>	115,087	43,338
Cost of stock options	<b>35,395</b>	68,386	121,862
Stock options exercised	<b>(47,375)</b>	(63,520)	(50,113)
Balance at end of year	<b>107,973</b>	119,953	115,087
<b>TREASURY STOCK</b>	<b>(557)</b>	(557)	(557)

(Forward)

	<b>Years Ended December 31</b>		
	<b>2006</b>	2005	2004
<b>RETAINED EARNINGS</b>			
Appropriated for future expansion	<b>₱6,000,000</b>	₱6,000,000	₱6,000,000
Unappropriated:			
Balance at beginning of year	<b>17,950,660</b>	17,685,310	15,345,369
Effect of adoption of Philippine Accounting Standards No. 39	-	(114,802)	-
Cash dividends - ₱0.17 per share in 2006, ₱0.30 per share in 2005 and ₱0.06 per share in 2004	<b>(1,842,817)</b>	(3,236,521)	(646,178)
Net income	<b>3,865,602</b>	3,616,673	2,986,119
Balance at end of year	<b>19,973,445</b>	17,950,660	17,685,310
	<b>25,973,445</b>	23,950,660	23,685,310
<b>UNREALIZED LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>			
Balance at beginning of year	<b>(7,508)</b>	-	-
Effect of adoption of Philippine Accounting Standards No. 39	-	(89,267)	-
Net unrealized gain (loss) recognized in equity	<b>(56,615)</b>	81,759	-
Balance at end of year	<b>(64,123)</b>	(7,508)	-
<b>MINORITY INTERESTS</b>			
Balance at beginning of year	<b>6,891,539</b>	6,674,502	5,728,400
Effect of adoption of Philippine Accounting Standards No. 39	-	(56,185)	-
Net income (loss)	<b>375,347</b>	368,758	(40,232)
Increase (decrease) in minority interests	<b>(454,324)</b>	78,684	994,288
Dividends paid to minority interests	<b>(225,977)</b>	(174,220)	(7,954)
Balance at end of year	<b>6,586,585</b>	6,891,539	6,674,502
	<b>₱47,183,913</b>	₱45,339,178	₱44,795,115
<b>Total income and expense recognized for the year</b>			
Net income	<b>3,865,602</b>	3,616,673	2,986,119
Net unrealized gain (loss) recognized in equity	<b>(56,615)</b>	81,759	-
	<b>₱3,808,987</b>	₱3,698,432	₱2,986,119

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

	Years Ended December 31		
	2006	2005 (As Restated)	2004 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱5,688,832	₱4,413,584	₱4,048,303
Adjustments for:			
Depreciation and amortization	1,067,280	917,875	833,779
Interest and other charges - net of amount capitalized	1,065,563	2,954,677	853,106
Dividends received from investees	72,779	94,275	19,034
Cost of share-based payments	35,395	68,386	121,862
Equity in net earnings of associates	(306,233)	(227,267)	(253,403)
Interest and other income	(1,096,483)	(3,673,490)	(837,552)
Operating income before changes in working capital	6,527,133	4,548,040	4,785,129
Decrease (increase) in:			
Accounts and notes receivable - trade	453,063	(4,475,228)	(1,426,340)
Real estate inventories	(1,183,102)	(637,662)	1,803,914
Other current assets	(57,304)	(298,341)	(460,466)
Increase (decrease) in:			
Accounts and other payables	1,495,777	5,731,232	1,666,911
Pension liabilities	(17,117)	(364,765)	(52,432)
Other current liabilities	260,475	(11,855)	(55,820)
Cash generated from operations	7,478,925	4,491,421	6,260,896
Interest received	431,603	610,191	415,239
Income tax paid	(1,448,295)	(1,124,417)	(1,039,930)
Interest paid	(998,441)	(1,057,733)	(855,334)
Net cash provided by operating activities before cash items associated with noncurrent assets held for sale	5,463,792	2,919,462	4,780,871
Net cash provided by operating activities associated with noncurrent assets held for sale	291,672	241,186	225,067
Total cash provided by operating activities	5,755,464	3,160,648	5,005,938
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from:			
Sale of investments	229,779	3,752,298	1,340,031
Sale of available-for-sale financial assets	4,980	16,712	-
Disposal of property and equipment	263,236	-	29,049
Disposals of (Additions to):			
Short term investments	(1,311,856)	(595,393)	-
Available-for-sale financial assets	(26,840)	-	-
Land and improvements	237,606	(5,295)	(140,077)
Investments in associates and jointly controlled entities	(1,757,838)	-	(739,614)
Investment properties	460,000	(339,007)	(324,224)

(Forward)

	<b>Years Ended December 31</b>		
	<b>2006</b>	2005 (As Restated)	2004 (As Restated)
Property and equipment	<b>(1,699,773)</b>	(1,150,827)	(2,092,778)
Decrease (increase) in:			
Accounts and notes receivable - non-trade	<b>(808,943)</b>	966,284	(620,435)
Other noncurrent assets	<b>113,220</b>	(633,629)	(147,707)
Transfer of cash and cash equivalents to noncurrent assets held for sale	<b>(324,362)</b>	-	-
Net cash provided by (used in) investing activities before cash items associated with noncurrent assets held for sale	<b>(4,620,791)</b>	2,011,143	(2,695,755)
Net cash provided by (used in) investing activities associated with noncurrent assets held for sale, including cash balance	<b>(37,329)</b>	2,071	(648)
Total cash provided by (used in) investing activities	<b>(4,658,120)</b>	2,013,214	(2,696,403)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from short and long-term debt	<b>3,115,424</b>	870,000	2,547,480
Payment of short and long-term debt	<b>(677,342)</b>	(3,302,844)	(3,319,899)
Increase (decrease) in:			
Noncurrent liabilities and deposits	<b>614,393</b>	740,350	445,874
Minority interest in consolidated subsidiaries	<b>(645,617)</b>	-	340,144
Proceeds from capital stock subscriptions	<b>148,124</b>	798	6,762
Dividends paid to minority	<b>(225,977)</b>	(174,220)	(7,954)
Dividends paid to equity holders of Ayala Land, Inc.	<b>(1,841,355)</b>	(3,235,916)	(645,693)
Net cash provided by (used in) financing activities before cash items associated with noncurrent assets held for sale	<b>487,650</b>	(5,101,832)	(633,286)
Net cash used in financing activities associated with noncurrent assets held for sale	<b>(187,120)</b>	(271,572)	(170,982)
Total cash provided by (used in) financing activities	<b>300,530</b>	(5,373,404)	(804,268)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,397,874</b>	(199,542)	1,505,267
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>6,160,645</b>	6,360,187	4,854,920
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱7,558,519</b>	₱6,160,645	₱6,360,187