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

AYALA LAND, INC.

(Company's Full Name)

c/o 29/F, Tower One, Ayala Triangle
Ayala Avenue, Makati City 1226

(Company Address)

(632) 848-5313

(Telephone Number)

December 31, 2004

(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, 2004

2. SEC Identification Number 152747 3. BIR Identification No. 050-000-153-790

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 29/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City Postal code: 1226

8. Issuer's telephone number: (632) 848-5313

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, 2004:

Title of each class	Number of shares of common stock outstanding
Common shares	10,775,345,430

    Amount of debt outstanding: P13.4 billion

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

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

    10,739,697,330 Common shares have been listed with the Philippine Stock Exchange as of December 31, 2004.

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 [x]   No [ ]

    (b) has been subject to such filing requirements for the past 90 days:

    Yes [x]   No [ ]

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

    P28B (as of end-2004); P32 billion (as of end-March 2005)

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:

    <u>2004 Audited Consolidated Financial Statements</u> (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. 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

ALI is engaged principally in the planning and development of mixed-use properties, particularly, the subdivision and sale of residential and commercial/business lots in planned communities and the development and leasing of retail space and land in these communities. It also builds and sells high-end residential lots, condominiums, townhouses, office buildings, middle-income and mass housing products, and develops and sells industrial and farm lots. ALI is also engaged in the development of leisure communities. ALI has ownership interests in hotels/serviced apartments and movie theaters, and provides construction and property management services. ALI, through subsidiaries, also ventured into the development of sports club, IT-related projects, operation of amusement centers and food courts, as well as real estate brokerage.

Product Lines (with 10% or more contribution to 2004 consolidated revenues):

Rental operations (shopping center, office, residential, land lease)	22%
Condominium & high-end residential unit sales	20%
Land sales (residential, commercial, industrial)	16%
Mass housing	10%

Distribution Methods of Products

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

To market its high-end products, Ayala Land has its own in-house sales team known as the Sales and Marketing Services Group and Ayala Land Sales, Inc., a wholly-owned subsidiary which employs commission-based sales people. ALI also formed Ayala Land International Sales, Inc. to tap the overseas Filipino market. Separate sales group have also been formed for certain subsidiaries which cater to different market segments such as Laguna Properties Holdings, Inc. (mass housing) and Community Innovations, Inc. (middle-income residential development). To complement these sales groups, Ayala Land and its subsidiaries also tap external brokers.

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

Ayala Land, Inc. - parent company (incorporated in 1988), pursued major land development projects, condominium development and shopping center operations. Its land development projects included Tamarind Cove, Ayala Hillside Estates, Paseo de Magallanes, Ayala Westgrove Heights, Plantazionne Verdana Homes and Ayala Northpoint. Residential condominium and townhouse projects undertaken in the past three years included The Residences at Greenbelt (Laguna Tower), One Legazpi Park, Ferndale Homes and Montgomery Place. Shopping center operations at Ayala Center continued while the redevelopment of Greenbelt was completed.

Laguna Properties Holdings, Inc. (incorporated in 1990), a wholly-owned subsidiary, continued to develop mass housing projects which offer house-and lot packages and residential lots. LPHI also ventured into the development and sale of farm/hacienda lots. Project launches in the past three years included Aeropolis 2 New Manila, Villa Sta. Cecilia, Riego de Dios Village, One Aeropolis, Sta. Arcadia Estates, Sta. Catalina Village, St. Alexandra Estates, St. Gabriel Heights, Villa Sta. Monica and Hacienda Sta. Monica.

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.

Community Innovations, Inc. (incorporated in 2002), 100% owned by ALI, offers various residential products to the core middle-income market. The company launched Verdana Homes Mamplasan in 2004 while it continued to develop and sell Verdana Homes (Cavite) and The Columns.

Serendra, Inc. - formerly *First South Properties, Inc.* (incorporated in 1994), 28%-owned by ALI and 39%-owned by Community Innovations, is engaged in residential development. In 2004, it launched Serendra, a residential complex at the Bonifacio Global City in Taguig.

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

Ayala Property Management Corp. (incorporated in 1957), also wholly-owned, remained engaged in property management, principally for ALI and its subsidiaries. It also provided its services to third-party clients.

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.

Ayala Infrastracture Ventures, Inc. - renamed *Astoria Investment Ventures, Inc.* in February 2005 (incorporated in 1996), a wholly owned subsidiary of ALI, continued to hold stake in the MRT-3 project.

Food Court Company, Inc. (incorporated in 1997), a 100% owned subsidiary of ALI, continued to manage and operate a high-end, trend-setting foodcourt known as Food Choices at the Glorietta 4. Similar projects were also established at the Alabang Town Center expansion area, Greenbelt 3 and Ayala Center Cebu.

ALInet.com, Inc. (incorporated in 2000), wholly-owned by ALI, continued to operate an on-line shopping site through MyAyala.com and an on-line cinema tickets reservation site through Sureseats.com. Through Ayalaport Makati, ALInet continued to operate an internet data center.

Station Square East Commercial Corporation (incorporated in 1989), 72% owned subsidiary of ALI, broke ground in 2002 for Market! Market!, a value mall along C-5 Road in Taguig. It opened Phase 1A of the mall in 2004 while it continued to construct Phase 1B.

Laguna Technopark, Inc. (incorporated in 1990), 61% owned, continued to develop and sell industrial lots to local and foreign company locators. It also leases a ready-built factory within the Laguna Technopark.

Ayala Hotels, Inc. (incorporated in 1991), 50% owned, continued to operate Hotel InterContinental Manila, Cebu City Marriott Hotel and Oakwood Premier Ayala Center.

Roxas Land Corp. (incorporated in 1996), 50% owned, continued to sell One Roxas Triangle. The project was started in 1996 and was completed in September 2001.

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

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. The project was completed in the fourth quarter of 2001 and is now being leased.

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.

Development of the business of the registrant's affiliates during the past three years

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

Cebu Holdings, Inc. (incorporated in 1988), 47% owned by ALI, continued to manage and operate the Ayala Center Cebu and sell condominium units and lots within the Cebu Business Park. The company also continued to sell club shares City Sports Club Cebu. Through Cebu Property Ventures Development Corporation, CHI also sold lots at the Asiatown IT Park.

Lagoon Development Corporation (incorporated in 1996), 30% owned by ALI, is a joint venture company with Extraordinary Development Corporation. It continued to operate Pavilion Mall which is located in Biñan, 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. through Columbus Holdings, Inc. in 2003. FBDC continued to sell condominium and 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. through Columbus Holdings, Inc.

North Triangle Depot Commercial Corp. (incorporated in 2001), 49% owned by ALI continued to finalize plans for the North Triangle Commercial Center, a 200,000-sqm mall which will be constructed at the main depot of MRT-3 in Quezon City.

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)

In 2004, the Company continued its asset rationalization program which resulted in the sale of receivables and some non-core assets and investments, including a gas station sites in Alabang and two small Makati properties.

In addition, Ayala Land sold in August 2004 its 28% stake in Pilipinas Makro, Inc. for an aggregate price of P1.019 billion. The sale of ALI's Makro shares reflects the intention of the company to refocus its strategic thrust to its main line of business.

Various diversification programs entered into by the company during the last three years

BPO office buildings
ALI ventured into the development of build-to-suit office buildings catering to business process outsourcing firms and call centers. PeopleSupport Center broke ground in March 2004 and will be completed in April 2005 while Convergys started construction in July 2004 and will be completed in October 2005.

Medium-rise residential buildings
Through Laguna Properties Holdings, Inc. (LPHI), ALI ventured into the development of medium-rise residential buildings offering affordable condominium units. One Aeropolis in Parañaque was launched in 2003 while Aeropolis 2 New Manila in Quezon City was launched in 2004.

Leisure community projects
In 2002, ALI created the Leisure and Lifestyle Communities Group to develop leisure community projects.

Real estate brokerage
Also in 2002, Ayala Land formed Ayala Land Sales, Inc., a wholly-owned subsidiary engaged in selling ALI's high-end projects through commission-based broker employees.

Farm/hacienda lots
The Company, through LPHI, ventured into the development and sale of farm/hacienda lots in 2002 through its projects (Sta. Monica Village and Hacienda Sta. Monica) in Lipa, Batangas.

Middle-income residentials
ALI ventured into the middle-income urban residential segment through Community Innovations and Serendra, Inc. with the launch of Verdana Homes in Cavite (2002), The Columns (2002), Verdana Mamplasan (2004), and Serendra (2004).

Competition

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

With respect to its mall business, ALI's main competitor is SM Prime. In terms of asset size, ALI is bigger compared to SM Prime but the latter's focus on mall operations gives SM Prime some edge over ALI in this line of business. Nevertheless, ALI 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, ALI sees competition in smaller developers such as Kuok Properties (developer of Enterprise Building) and non-traditional developers such as the AIG Group (developer of Philam Towers) and RCBC (developer of RCBC towers). ALI 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, ALI competes with smaller developers such as Megaworld and Fil-Estate Land. ALI 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 mass housing business, ALI sees Filinvest Land as a key competitor. LPHI is able to effectively compete for buyers based on quality and location of the project and availability of attractive in-house financing terms.

Suppliers

The Company has a broad base of suppliers, both local and foreign.

Customers

Ayala Land has a broad market base including local and foreign individual and institutional clients.

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 LPHI 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 LPHI assigned their respective license rights to LPSC since the latter's incorporation.

Tex Building System
By virtue of the license rights granted in 1996, LPHI operates the manufacturing of pre-cast concrete panels and columns/other components using the TEX Building System with RP Patent No. 30327.

The on-site battery casting system and the plant facilities were procured from TEX Holdings PLC, a limited company organized and exiting under the laws of England.

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 has a total workforce of 424 employees (1,433 including subsidiaries' manpower) as of December 31, 2004. The Company expects to more or less maintain its number of employees in the next 12 months.

ALI and Ayala Land Inc. Employee's Union successfully renewed its Collective Bargaining Agreement (CBA) in December 2004 for a period of 2 years up to end-2006. ALI management had generally not encountered difficulties with its labor force, and no strikes had been staged in the past.

Of the 424 ALI employees, the breakdown of employees according to type is as follows:

Sales & Marketing Services Group	44
Project Development Group	171
Support Group	209
Total	424

In addition to the basic salary and 13th month pay, other supplemental benefits provided by ALI to its employees include: mid-year bonus, performance bonus, monthly commodities allowance, medical allowance, dental benefits, various loan facilities and stock option plan among others.

Risks

Ayala Land is subject to significant competition in each of its principal businesses. Ayala Land competes with other developers and developments to attract purchasers of land and condominiums, retail and office tenants, and customers for the retail outlets, restaurants and hotels in its commercial centers.

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 and Mass Housing Developments

With respect to high-end land and condominium sales, Ayala Land competes for purchasers 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 middle income and mass housing markets, Ayala Land competes for buyers based on quality of projects, affordability of units, and availability of in-house financing.

Office Space, Retail and Land Rental

For its office rental properties, Ayala Land competes for tenants primarily based upon the quality and location of the relevant building, the reputation of the building's owner, the quality of support services provided by the property manager, and rental and other charges.

With respect to its retail properties, Ayala Land competes for tenants primarily based upon the ability of the relevant retail center to attract customers - which generally depends 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 expected to grow. Some competing shopping centers are located within relatively close proximity of each of Ayala Land's commercial centers (including the commercial center constructed by its affiliate, Cebu Holdings, Inc. in Cebu Business Park).

Industrial Property Business

The industrial property business is affected by an oversupply as well as limited industrial expansion and declining foreign investments. The entry of China into the World Trade Organization in 2003 is still expected to pose strong competition for foreign direct investment. Overall, the industrial property segment is not likely to show significant demand improvement in the near term.

Hotel Operations

After a slump of several years, the local hotel sector experienced marked growth in both occupancy and rental rates. The Company's hotels, known for their premium value and service, performed strongly in each of their respective markets. Any slowdown in tourism could potentially limit growth of the Company's hotels.

Construction and Property Development

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 housing and retail sector. 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, 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 2004, 2003 and 2002 follow: (in P 000)

	2004	2003	2002
Revenues:			
Domestic	18,126,791	14,623,932	12,214,133
Foreign	-	-	-
Operating income (loss):			
Domestic	7,688,870	6,560,260	5,652,463
Foreign	-	-	-
Total assets:			
Domestic	73,348,605	67,012,052	61,767,216
Foreign	-	-	-

Item 2. Properties

Landbank / Properties with mortgage or lien

The following table provides summary information on ALI's landbank as of December 31, 2004 representing fully converted properties. Properties are wholly-owned and free of lien unless noted.

Location	*Hectares*	*% of Total*
Makati [1]	56	1.55%
Taguig [2]	68	1.89%
Alabang [3]	18	0.50%
Quezon City [4]	53	1.47%
Antipolo	15	0.42%
Las Piñas	146	4.04%
Metro Manila	***356***	***9.87%***
Laguna [5]	2,385	66.08%
Cavite [6]	283	7.84%
Batangas [7]	54	1.50%
Quezon [8]	62	1.70%
Calabarzon	***2,784***	***77.12%***
Naga	42	1.18%
Cabanatuan/ Baguio	61	1.70%
Other Luzon Area	***104***	***2.88%***
Bacolod [9]	163	4.52%
Cebu [10]	155	4.30%
Davao	32	0.89%
Cagayan De Oro	15	0.42%
Visayas/Mindanao	***366***	***10.13%***
TOTAL	***3,610***	***100.00%***

[1] Includes sites of Mandarin Hotel (1.6 has.) and Peninsula Hotel (2.0 has.) which are 50% owned through Ayala Hotels, Inc.; 1.37 has. of which is mortgaged to Bank of the Philippine Islands in compliance with Bangko Sentral ng Pilipinas ruling on directors, officers, stockholders and related interests (DOSRI); 0.16 has. mortgaged with GSIS to secure surety bonds in favor of Bases Conversion Development Authority; 1.75 has. subject of a leasehold rights to secure Cebu Insular Hotel Company, Inc.'s loan with Deutsche Investitions-Und Entwicklungsgesellschaft MBH.

[2] 9.8-ha. site of Market! Market! under lease arrangement with Bases Conversion Development Authority; 12-ha. "Lot B" (site of Serendra) under joint development agreement with Bases Conversion Development Authority; 47 has. in Fort Bonifacio owned through FBDC.

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 P700M and annual lease payments with fixed and variable components.

For Lot B, the joint development agreement with BCDA involves an upfront cash payment of P700M plus a guaranteed revenue stream totaling P1.1B over an 8-year period.

[3] Includes the 17.6-ha. Alabang Town Center which is 50% owned through Alabang Commercial Corp.

[4] About 40 has. under joint venture with Armed Forces of the Philippines – Mutual Benefit Association, Inc.; remaining 10 has. in Ayala Hillside under override arrangement with Capitol Hills Golf and Country Club, Inc.

[5] Includes over 1,300 has. which are 70% owned through Aurora Properties, Inc. and Vesta Holdings, Inc.; also includes remaining 407 has. which are under a 50-50% joint venture with Greenfield Development Corp.; and remaining 12 has. in Laguna Technopark, Inc. which is 61% owned by Ayala Land. 6.92 has. is mortgaged to Land Bank of the Philippines as a security for term loan of Laguna Properties; 12.78 has. is subject of a mortgage trust indenture securing Jexim loans of Laguna Properties with China Banking Corporation and Banco De Oro Universal Bank; 42.3 has. is subject of an mortgage trust indenture securing Ayala Greenfield Development Corporation's International Exchange Bank loan.

[6] Includes remaining 18 has. in Riego de Dios Village which is under joint venture with the Armed Forces of the Philippines.

[7] Includes remaining 21 has. in Sto. Tomas project which is under an override arrangement.

[8] Includes a 5.63 has. of property which is mortgaged with Land Bank of the Philippines as a security for term loan of Laguna Properties.

[9] Includes remaining 96 has. in Ayala Northpoint which is under an override arrangement.

[10] Includes about 13 has. in Cebu Business Park which is 47% owned through Cebu Holdings, Inc.; 0.62-ha. hotel site owned by Ayala Hotels, Inc. and Cebu Holdings, Inc.; and remaining 11 has. in Cebu Civic and Trade Center which is owned by Cebu Property Ventures and Development Corporation which in turn is 76% owned by Cebu Holdings, Inc. An 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 has. is subject of a mortgage trust indenture securing Cebu Insular Hotel Company Inc.'s term loan with Deutsche Investitions- und Entwicklungsgesellschaft MBH.

Rental Properties

The Company's key properties for lease include the Ayala Center in Makati and its four office buildings (Tower One, 6750 Ayala Avenue, MSE Building, Ayala Life-FGU Center). It also leases land, carparks and some residential units. In the year 2004, rental revenues accounted for P3.94 billion or 22% of Ayala Land's consolidated revenues. Lease terms vary depending on the type of property and tenant.

Property Acquisitions

With 3,610 hectares in its landbank as of end-2004, Ayala Land believes that it has sufficient properties for development at least for the next 10 years.

In the early part of 2005, Ayala Land acquired joint development rights on over 320 hectares of land in Morong, Bataan. At present, there is no known major acquisition lined up for the rest of 2005. ALI does not have any specific property in mind but it is open to acquiring properties which it deems strategic. ALI's preferred mode of acquisition, going forward, would be through joint ventures with landowners. Meanwhile, ALI continues to assess its landholdings to identify properties which no longer fit its overall business strategy and hence, can be disposed of.

Item 3. Legal Proceedings

Ayala Land is not involved in any litigation it deems material. However, certain individuals and entities have claimed an interest in Ayala Land's properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale. The controversy involves approximately 146 hectares owned by Ayala Land in Las Piñas.

Prior to purchasing the aforesaid properties, Ayala Land conducted an investigation of the titles to the properties and had no notice of any title or claim that was superior to the titles purchased by Ayala Land. Ayala Land traced its titles to their original certificates of title and Ayala Land believes that it has established its superior ownership position over said parcels of land. Ayala Land 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 in October 1993, Ayala Land filed petitions in local regional trial courts 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 in Ayala Land's favor. These include two decisions affirming the title of ALI to approximately 21 hectares of these properties, which are now being developed as Phase 2 of Ayala Southvale.

Ayala Land does not intend to develop and sell the rest of the Las Piñas properties until the litigations are resolved.

In addition, Mr. Manuel Sanchez, a stockholder of Capitol Hills Golf & Country Club, Inc. ("CHGCC"), has publicly threatened to file suit against Ayala Land in connection with the joint development by Ayala Land and CHGCC of the Ayala Hillside Estates, a residential subdivision project located in what used to be a portion of the golf course of CHGCC in Diliman, Quezon City. Mr. Sanchez' claims pertain to the alleged lack of corporate approval of the stockholders of CHGCC for the development of CHGCC's property and the alleged irregularities in the issuance by the relevant government agencies of the permits for the project. Ayala Land has been advised that CHGCC has sought and obtained the dismissal of certain of these claims and that the relevant issuing agencies of the government have affirmed that the pertinent permits for the development of the project have been regularly issued.

Ayala Land 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.

Stock Prices (in Php/share)	High		Low		Close	
	2004	2003	2004	2003	2004	2003
First Quarter	6.50	5.30	4.90	4.35	5.30	4.55
Second Quarter	5.90	6.60	5.20	4.50	5.80	6.00
Third Quarter	6.60	6.90	5.20	5.70	6.50	6.30
Fourth Quarter	7.30	6.70	6.30	5.30	7.30	6.10

The market capitalization of ALI as of end-2004, based on the closing price of P7.30/share, was approximately P78.6 billion.

As of end-March 2005, ALI's market capitalization stood at P89.5 billion based on the P8.30/share closing price.

Stockholders

As of end-2004, Ayala Land had approximately 13,750 shareholders (based on number of accounts registered with the stock transfer agent).

Top 20 shareholders as of December 31, 2004:

NAME	NATIONALITY	OWNERSHIP	% OWNERSHIP
(1) Ayala Corporation *(Record & Beneficial)*	Filipino	6,731,199,095	62.47%
(2) PCD Nominee Corporation	Non-Filipino	2, 679,062,776	24.85%
(3) PCD Nominee Corporation	Filipino	817,663,429	7.60%
(4) AC International Finance, Ltd.	Filipino	113,782,150	1.06%
(5) The Insular Life Assurance Co., Ltd.	Filipino	47,354,311	0.44%
(6) SSS Loans & Investment Office	Filipino	18,873,388	0.18%
(7) Jose Luis Gerardo Yulo	Filipino	12,176,572	0.11%
(8) Cygnet Development Corp.	Filipino	12,131,320	0.11%
(9) BPI Trust Account #14016732	British	10,103,870	0.09%
(10) Pua Yok Bing	Filipino	6,131,619	0.06%
(11) Elvira L. Yulo	Filipino	6,020,000	0.06%
(12) BPI Trust Account #14016724	American	4,940,340	0.05%
(13) Abacus Capital & Investment Corp.	Filipino	4,820,000	0.04%
(14) Estrellita B. Yulo	Filipino	4,777,353	0.04%
(15) Rivercrest Realty Corporation	Filipino	4,705,000	0.04%
(16) The Insular Life Assurance Co., Ltd.	Filipino	4,521,800	0.04%
(17) BPI Trust Account # 14016783	American	4,502,282	0.04%
(18) Carlos D. Apostol	Filipino	4,285,840	0.04%
(19) Maria Alexandra Q. Caniza	Filipino	3,775,855	0.04%
(20) Meralco Foundation, Inc.	Filipino	3,680,548	0.03%

Dividends

STOCK DIVIDEND (Per Share)			
PERCENT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
20%	April 15, 1998	May 7, 1998	June 19, 1998
20%	April 26, 2000	May 16, 2000	June 26, 2000

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.03	June 20, 2003	July 25, 2003	August 20, 2003
0.26	August 27, 2003	September 26, 2003	October 22, 2003
0.03	December 5, 2003	December 23, 2003	January 16, 2004
0.03	July 27, 2004	August 13, 2004	August 27, 2004
0.03	December 7, 2004	December 28, 2004	January 25, 2005
0.10	February 14, 2005	March 14, 2005	March 30, 2005

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 capex 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.

Other than the restrictions imposed by the Corporation Code of the Philippines, there is no other restriction that limits the Company's ability to pay dividends on common equity.

Recent Sale of Unregistered Securities

Within the past three years, the Company issued 63.375 million common shares to Ayala Corporation on 28 November 2003 in exchange for the old Ayala Museum lot of Ayala Corporation. The following valuations were used in the exchange of the Company's shares for the old Museum lot, to wit:

1. ALI shares: P8.40 per share which is 29% above the 19 August 2003 closing price; and

2. Museum lot: P227,500 per sq.m. This is the average of the appraised values determined by Asian Appraisal Company, Inc. and Cuervo Appraisers as of 02 June 2003.

AB Capital and Investment Corporation was commissioned to determine the valuation that will be used in the exchange of the old Museum lot with an area of 2,340 sq.m. and the 63.375M new common shares of the Corporation.

An exemption from registration was claimed with the SEC under Section 10.1 (e) of the SRC, "The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock."

Stock Options

There was a total of 12.8 million shares issued in 2004 representing exercise of stock options by the Company's executives. The aforesaid issuance of shares was covered by the Commission's approval of the Company's Stock Option Plan on July 1991.

Please refer to Note 17 ("Stock Option Plans") of the Notes to Consolidated Financial Statements of the 2004 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

PART III – FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis or Plan of Operation

Review of 2004 Operations versus 2003

Results of Operations

Given favorable market response to its high quality and innovative products, Ayala Land posted a record-high consolidated revenues of P18.1 billion, 24% higher than previous year's level. Initiatives to efficiently manage cost cushioned the effects of increasing margin pressure from rising costs, enabling the Company to post an 11% growth in net income to P3.0 billion.

Strong growth was experienced across the Company's various business lines.

Ayala Land's leasing business, derived from shopping centers, office buildings and hotels exhibited good growth due to improving market conditions and superior quality of leased properties and contributed 31% of total revenues.

Shopping centers and office leasing revenues amounted to P3.9 billion, contributed 22% to total and grew by 10% year-on-year. The Company's shopping centers, which benefited from further expansions, high occupancies and strong merchant sales, drove leasing revenues. In the past year, total mall leasable area increased with the opening of Greenbelt 4, completion of SM Makati renovation and start of operations of Market! Market! As of year-end, retail shopping center GLA (excluding hotels) amounted to 730,000 sqms. Weighted average occupancy of shopping centers was 95%, excluding Market! Market! which opened in September and had 82% of its 115,000 sqms leaseable area leased out/committed by year-end. At Ayala Center, which generates the bulk of shopping center revenues, total sales and same-store sales grew by 11% and 8%, respectively, given the increased pedestrian traffic generated by the efficient walkway system and sustained advertising and marketing activities. An escalation in basic rents also contributed to rental revenue growth.

Office leasing remained resilient as seen in the high 94% average occupancy rate enjoyed by the Company-owned buildings. To further increase its office rental revenues, Ayala Land is carving a niche in the build-to-suit office building segment as it addresses the growing demand from call centers and BPO firms. Construction of PeopleSuppport Center and Convergys Center are in full swing and will be completed by April and October, respectively. These buildings will add 30,000 sqms of leasable area and increase the Company's office portfolio by 43% to about 100,000 sqms.

With the hotel sector's marked recovery in 2004, the Company's hotel and serviced apartment properties did well. Revenues from hotel operations contributed 9% of consolidated revenues or P1.5 billion, up 21% year-on-year. Higher visitor arrivals led to significant improvement in occupancies, allowing moderate increases in room rates.

Oakwood Premier Ayala Center's average occupancy rate was 89%, significantly higher than previous year's 69% and much better than MCBD hotels' average of 75%. Hotel InterContinental Manila was 71% occupied compared to 66% in 2003. Meanwhile, Cebu City Marriott Hotel posted a high occupancy rate of 85%, also better than Cebu hotels' average of 72%.

In 2004, the Company's development business lines expanded due to new project launches which kept pace with improvements in the property market.

Condominium and high-end residential unit sales generated P3.6 billion in revenues and contributed 20% to total revenues. This is nearly double last year's level as the Company successfully launched Serendra and sold One Legazpi Park receivables which paved the way for an accelerated revenue booking. By end-2004, a total of 1,031 units have been offered for sale at Serendra, 55% of which has been taken up. Higher sales at Montgomery Place and One Roxas Triangle, as well as additional sales and revenue recognition on prior year sales at The Residences at Greenbelt (Laguna Tower), also contributed to the significant revenue increase. The sale of 1,773 sqms of office space at Ayala Life FGU Center in Makati further augmented revenues.

The sale of residential, commercial and industrial lots contributed 16% to consolidated revenues or P2.9 billion, about the same level as last year. At Ayala Greenfield Estates, the completion of the golf course's first nine holes boosted sales, bringing cumulative take-up rate to 91% of the 508 lot offering as of year-end. Steady community build up at Ayala Westgrove Heights prompted the construction of a neighborhood retail area, bringing take-up rate to 90% of 1,535 lots. At Ayala Hillside Estates, the completion of the 18-hole golf course attracted new buyers and brought the project's take-up rate to 98%. Also contributing to land sales were the 2,997-sqm gas station site in Alabang and a 2,400-sqm lot within the MCBD. At Laguna Technopark, a total of 3.7 hectares were sold in 2004, slightly lower than previous year's 4.1 hectares.

Revenues from mass housing sales through Laguna Properties Holdings, Inc. (LPHI) amounted to P1.8 billion or 10% of total. While LPHI's sales booking increased by 6% to 1,536 units in 2004, mass housing revenues slightly declined by 4% due to the still low revenues recognized from medium-rise condominium projects given their early stage of construction. In addition, there were more high-value commercial lots sold in 2003. LPHI's affordable line accounted for nearly two-thirds of sales volume in 2004. These products, priced at P750,000 to P1.8 million per unit, came primarily from projects like Sta. Catalina Village (Dasmariñas, Cavite), San Francisco Village (Sto. Tomas, Batangas) and Villa Sta. Monica (Lipa, Batangas). LPHI's affordable condominium line, while still a relatively new product, has also been well-received. The first and second towers of One Aeropolis in Sucat, Parañaque were 97% and 76% taken-up, respectively, while newly-launched Aeropolis 2 New Manila, Quezon City was 13% taken-up by year-end.

Revenues from the sale of middle-income residential units through Community Innovations, Inc. (CII) amounted to P1.3 billion, representing a 97% year-on-year growth and accounting for 7% of Ayala Land's consolidated revenues. Driving growth in the core-mid segment were new sales and construction accomplishment at The Columns. The project's nearly fully sold first tower was topped off while the second and third towers, 78% and 69% taken up as of end-2004, were 49% and 12% complete, respectively. Serendra (District 2) and Verdana Mamplasan, both launched in 2004, also contributed to the growth. Of the 416 lots offered for sale at Verdana Mamplasan, 34% has been taken up. Soon, CII will launch house-and-lot packages within this project.

Two wholly-owned subsidiaries, Makati Development Corporation (MDC) and Ayala Property Management Corporation (APMC), continued to service Company projects. MDC and APMC also serviced third-party clients from which they derived combined revenues of about P1.0 billion, contributing 5% to consolidated revenues. This represents a 30% year-on-year growth, with various MDC projects for BCDA and Manila Water, as well as Market! Market! and Ayala Greenfield Estates, accounting for the increase.

Interest and other income accounted for 11% of revenues and amounted to P2.1 billion. The 20% increase was due to higher interest income, higher equity earnings from Fort Bonifacio Development Corporation, Cebu Holdings, Inc. and Alabang Commercial Corporation, higher management and marketing fees and gain on sale of shares in some companies.

Financial Condition

A strong balance sheet enabled the Company to launch new projects, pursue expansion plans and fund strategic investments.

Liquidity was preserved, backed by strong cash generation from leasing operations. Cash reserves stood at P6.4 billion as of end-2004, 31% higher than end-2003 level, keeping current ratio at a high level of 1.71:1.

Further enhancing liquidity were the sale of receivables and non-strategic assets which, in 2004, generated P3.2 billion net cash proceeds. This enabled the Company to pare down debt, amidst expanding project offerings, to P13.4 billion, 7% lower than end-2003 level. With a low debt-to-equity ratio of only 0.36:1, the Company has room to gear up for strategic investments.

In 2004, Ayala Land's consolidated project and capital expenditures amounted to P8.1 billion, 47% of which was spent for residential buildings and townhouse projects, primarily Serendra, Montgomery Place, One Legazpi Park and The Residences at Greenbelt. Nearly 30% was used for buildings for lease including Market! Market! and PeopleSupport Center. The balance was used for residential subdivision projects and equity investments. For 2005, Ayala land is allocating a P13.6 billion budget for consolidated project and capital expenditures.

Key Performance Indicators

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

	End-2004	*End-2003*
Current ratio [1]	1.71:1	1.78:1
Debt-to-equity ratio [2]	0.36:1	0.41:1
Net debt-to-equity ratio [3]	0.19:1	0.27:1
	FY 2004	*FY 2003*
Return on assets [4]	4.5%	4.4%
Return on equity [5]	8.5%	7.7%

[1] Current assets / current liabilities
[2] Total interest-bearing debt (inclusive of bonds and CPs) / stockholders' equity
[3] Interest-bearing debt less cash & cash equivalents / stockholders' equity
[4] Net income / total assets (at the beginning of the year)
[5] Net income / stockholders' equity (at the beginning of the year)

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

Likewise, there were no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

There were no disagreements with accountants on accounting and financial disclosure.

Looking Ahead

Ayala Land has lined up new projects that will enable the Company to capitalize on emerging opportunities given the anticipated recovery of the property sector. To further strengthen its recurring revenue base, Ayala Land increased its stake in the North Triangle Commercial Center, a 200,000-sqm mall which will commence construction within the first half of 2005. In addition, Phase 1B of Market! Market! with about 35,000 sqms of leasable space will be completed by 4Q 2005.

On the development side, the Company launched in February 2005 the next phase in Ayala Southvale while the second tower of The Residences at Greenbelt will be offered for sale within 2Q2005. Ayala Land will also embark on its first leisure project, a high-end seaside residential resort community to be developed on over 320 hectares of land in Morong, Bataan.

While pursuing new projects, the Company will continue to roll-out new phases in existing projects.

As the Company builds up its product portfolio across a wider market, it will continue to put emphasis on cost efficiency to preserve margins and deliver the best value for money for its customers. The expanded product offerings will be complemented by intensified sales and marketing efforts to broaden market reach and tap the growing market of overseas-based Filipinos.

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

Income Statement items - 2004 versus 2003

25% increase in real estate revenues
Principally due to higher sales bookings at Ayala Greenfield Estates, Ayala Westgrove Heights, Ayala Northpoint, Montgomery Place and One Roxas Triangle; sales at newly-launched projects Serendra and Verdana Homes Mamplasan; sale of office spaces at Ayala Life FGU Center in Makati, an office lot within the MCBD and a gasoline station site in Alabang; accelerated revenue booking of installment sales at One Legazpi Park due to the sale of receivables; revenue recognition on prior years' sales due to additional construction accomplishment at One Legazpi Park, The Residences at Greenbelt (Laguna Tower) and The Columns; higher mass housing sales due to new LPHI projects; higher rental revenues from shopping centers due to additional leasable space, increase in basic rent and robust sales of merchants; and higher construction revenues.

21% increase in revenues from hotel operations
Primarily due to higher occupancy and room rates at the Company's hotel properties.

20% increase in interest and other income
Largely due to higher interest income, equity earnings, management fees and marketing fees; and gain on sale of shares in some companies.

35% increase in real estate cost and expenses
Mainly due to higher real estate revenues; Roxas Land Corporation's project cost adjustment; higher RPT, marketing expenses, depreciation expenses for rental properties and insurance; and change in revenue/product mix.

8% increase in hotel operations expenses
Largely due to higher occupancy rates at the Company's hotel properties.

36% increase in general and administrative expenses
Primarily due to higher payroll costs; higher ESOP availments and contributions to retirement fund; and additional expenses from expanding subsidiaries such as Ayala Land Sales, Inc., Community Innovations, Inc. and Serendra, Inc.

13% decrease in interest and other charges
Principally due to the real property tax (RPT) charges in 2003.

58% increase in provision for income tax
Basically due to lower tax in 2003 given the tax deductibility of the RPT charges.

168% decrease in net earnings applicable to minority interest
Largely due to Roxas Land Corporation's loss which resulted from project cost adjustments.

<u>Balance Sheet items</u> *- End-2004 versus End-2003*

31% increase in cash and cash equivalents
Mainly due to proceeds from the sale of non-core assets and installment receivables, partly offset by the upfront cash payment to BCDA for the Serendra project and loan payments.

65% increase in accounts and notes receivables (current portion)
Primarily due to additional sales from new projects of ALI, Laguna Properties Holdings, Inc. & Community Innovations, Inc.; advances to a subsidiary; and increase in advances to contractors.

20% decline in subdivision land for sale
Mainly due to continued sales at residential subdivision developments such as Ayala Greenfield Estates, Ayala Westgrove Heights, Ayala Hillside Estates, Paseo de Magallanes, Ayala Northpoint and Plantazionne Verdana Homes, as well as industrial park project Laguna Technopark.

11% decrease in condominium and residential units for sale
Largely due to continued sales at residential building projects such as One Legazpi Park, The Residences at Greenbelt (Laguna Tower), The Columns and One Aeropolis.

86% increase in deferred tax and other current assets
Mainly due to higher prepaid expenses and creditable withholding taxes of some subsidiaries.

18% increase in non-current accounts and notes receivables
Largely due to increase in installment sales at various projects.

9% decline in land and improvements
Primarily due to transfer of a formerly unutilized property (now site of Convergys Center) to Investments.

14% increase in investments
Mainly due to the expansion of leasing portfolio through Market! Market!, PeopleSupport Center and Convergys Center, as well as the acquisition of additional stake in the North Triangle Depot Commercial Corporation.

9% increase in other assets
Largely due to increase in prepaid items.

43% increase in accounts payable and accrued expenses
Primarily due to the additional purchases by ALI and some subsidiaries such as Laguna Properties Holdings, Inc., Roxas Land Corporation, Makati Development Corporation and Serendra, Inc.

33% increase in loans payable
Largely due to ALI's STCP issuance and new loan availments of Station Square East Commercial Corporation, Laguna Properties Holdings, Inc., Ayala Greenfield Development Corporation, Roxas Land Corporation, Community Innovations Inc. and Leisure and Allied Industries Phils.

47% increase in income tax payable
Additional income tax payable mainly due to 2004 operations.

17% decline in current portion of long-term debt
Largely due to payment of long-term debt.

24% increase in current portion of estimated liability for land and property development
Primarily due to new sales at existing and new projects.

22% decrease in other current liabilities
Due to payment made to a landowner.

10% decline in long-term debt (net of current portion)
Mainly due to payment and reclassification to current of some long-term debt.

17% increase in non-current liabilities and deposits
Due to increase in tenants' deposits at Market! Market! and higher deferred credits such as DST and transfer taxes.

81% increase in non-current portion of estimated liability for land and property development
Primarily due to new sales at existing and new projects.

16% increase in minority interest
Mainly due to additional share of minority partners in net income of Ayala Greenfield Development Corporation, Leisure and Allied Industries Philippines, Laguna Technopark Inc., Ayala Hotels Inc. and Serendra, Inc.

7% increase in stockholders' equity
Largely due to higher retained earnings from 2004 net income.

Review of 2003 Operations versus 2002

Results of Operations

Ayala Land continued to maintain its preeminent position in traditional markets while vigorously pursuing available opportunities in emerging growth areas. This enabled the Company to post an 8% growth in net income to P2.71 billion derived from consolidated revenues of P14.62 billion, 20% higher than previous year's level.

The Company's rental portfolio performed well with an 8% increase in rental revenues to P3.59 billion, contributing 24% to total revenues. Rental revenues from commercial centers, primarily driven by Ayala Center, contributed nearly 80% to total rentals. With the full year operations of Greenbelt 2 and 3, as well as the opening of Greenbelt 4 in the fourth quarter, total sales at Ayala Center grew by 6% year-on-year. Ayala Center maintained a high occupancy rate of 95% and attracted more mall visitors as new stores opened. Meanwhile, the Company's office properties also did well, with high occupancy rates averaging at 95%. These properties continued to command premium pricing given their superior location, better quality and high level of property management.

Land sales also drove revenues, contributing P2.85 billion, or 19% of total revenues. This represents a 35% increase year-on-year, primarily due to higher sales bookings at Ayala Westgrove Heights, Ayala Hillside Estates and Plantazionne Verdana Homes. At the end of the year, take up rates were 86% of 1,329 lots at Westgrove, 84% of 121 ALI-owned lots at Hillside and 71% of 159 lots at Plantazionne. Industrial lot sales were also higher as Laguna Technopark sold seven lots with a total area of 4.1 hectares in 2003 versus one lot with an area of 0.6 hectare in the previous year. Also pushing revenues from land sales were the two Madrigal Business Park lots sold in the first quarter. Further augmenting lot sales were other subdivision projects such as Ayala Greenfield Estates, Paseo de Magallanes and Tamarind Cove.

With the strong performance of Ayala Land's new condominium projects, revenues from residential unit sales grew by 20% to P1.88 billion, accounting for 13% of consolidated revenues. Launched in June, the 249-unit The Residences at Greenbelt – Laguna Tower met favorable market response as seen in the take-up rate of 61% by year-end. One Legazpi Park was nearly fully sold with a 96% take-up rate. Contributions from these two projects, however, were tempered by the revenue recognition process which takes into account the completion rate of the buildings. At the end of 2003, The Residences at Greenbelt – Laguna Tower was 3% complete while One Legazpi Park's completion rate was at 34%. Meanwhile, the Company also realized additional sales at One Roxas Triangle, Ferndale Homes and Montgomery Place.

Through Laguna Properties Holdings, Inc. (LPHI), Ayala Land continued to address the underserved demand for mass housing. With intensified sales efforts, LPHI's sales bookings in 2003 totaled 1,451 units, 29% higher than previous year's 1,121. Revenues grew by 31% to P1.86 billion, representing 13% of consolidated revenues. During the year, LPHI ventured into its first medium-rise residential building project, One Aeropolis in Sucat, Parañaque, as well as Sta. Arcadia Estates, its first mass housing project in

Northern Luzon. At the end of 2003, 82% of the 240 units at the first tower of One Aeropolis, soft launched in June, was taken up, leading to the launch of the 2nd tower in November. Sta. Arcadia Estates, launched in October, posted a 16% take-up rate for its 167-unit initial phase.

The middle-income residential segment, through Community Innovations, Inc. (CII), contributed P658 million or 5% to total revenues. With Verdana Homes' full sell-out in 2003, CII focused on the sale of The Columns, its three-tower residential complex within Makati. Given encouraging market response in the first two towers, the third tower was launched ahead of schedule in November. By year-end, take-up rates were posted at 93%, 71% and 13% for the first, second and third tower, respectively. To complete the community offering at Verdana Homes, CII launched the Verdana Village Center in the third quarter. Five out of the 18 commercial lots put on the market were sold as of year-end.

Revenues from hotel operations contributed 9% to total revenues or P1.28 billion, slightly lower by 2%, reflecting reduced occupancy rates and lower room rates of hotels at the Makati Central Business District in general. Average occupancy rates at Hotel Intercontinental Manila and Oakwood Premier Ayala Center, both at 75% in 2002, declined to 66% and 69%, respectively. Partly cushioning the Company's hotel revenues, however, was Cebu City Marriott Hotel which posted an improved average occupancy rate of 76% from 65% in the previous year, as well as higher room rates. Compared to their respective markets, Ayala Land's hotel portfolio still did better in terms of occupancy. Makati hotels' average occupancy rate was at 63% while occupancy rates at Cebu hotels averaged at 66%.

Revenues from third-party clients of construction arm Makati Development Corporation and property management arm Ayala Property Management Corporation contributed P759 million or 5% to consolidated revenues. This represents an 18% decline year-on-year as opportunities in the construction sector continued to be limited.

Financial Condition

During the year, Ayala Land pursued new strategic projects and investments, including the acquisition of a controlling stake in Bonifacio Land Corporation (BLC) in April. This assures the Company ample supply of prime lot inventory for future developments. Given the Company's continuing investments, total assets grew by 8% year-on-year to P67.01 billion as of end-2003.

Meanwhile, stockholders' equity leveled at P35.27 billion, slightly lower than previous year's level, primarily due to the special cash dividend of P0.26 per share paid to stockholders in the fourth quarter. The increased dividend yield is part of the Company's continuing effort to reduce its capital base in tandem with its ongoing asset rationalization program.

Ayala Land's excellent financials and credit standing were reflected in the successful issuance of the P2.0 billion five-year bonds in November. The bond issue received the highest possible rating of PRS Aaa from Philratings and found strong support from investors. This borrowing, together with new bank loans, brought total borrowings to P14.38 billion by end-2003. While this is higher than end-2002 level of P10.87 billion, the Company's bank debt-to-equity and net debt-to-equity ratios were still at comfortable levels of 0.41:1 and 0.27:1, respectively. Ayala Land remained highly liquid with a current ratio at 1.78:1. In addition to the sale of non-strategic assets, liquidity was enhanced by sale of seasoned installment receivables to banks on a no-recourse basis.

In 2003, Ayala Land (parent company) disbursed P5.2 billion or 66% of the P7.9 billion project and capital expenditures budget for the year. These disbursements included the P2.6 billion investment in BLC. The rest were spent on residential building projects, commercial centers, residential subdivision projects and office building improvements.

Key Performance Indicators

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

	End-2003	*End-2002*
Current ratio [1]	1.78:1	2.00:1
Debt-to-equity ratio [2]	0.41:1	0.31:1
Net debt-to-equity ratio [3]	0.27:1	0.15:1
	FY 2003	*FY 2002*
Return on assets [4]	4.4%	4.0%
Return on equity [5]	7.7%	6.9%

[1] *Current assets / current liabilities*
[2] *Total interest-bearing debt (inclusive of bonds and CPs) / stockholders' equity*
[3] *Interest-bearing debt less cash & cash equivalents / stockholders' equity*
[4] *Net income / total assets (at the beginning of the year)*
[5] *Net income / stockholders' equity (at the beginning of the year)*

There were no events that will trigger direct or contingent financial obligation that is material to the Company.

There were no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons.

There were no disagreements with accountants on accounting and financial disclosure.

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

Income Statement items – *2003 versus 2002*

18% increase in real estate revenues
Principally due to sales of new projects such as Ayala Hillside Estates, Plantazionne Verdana Homes, One Legazpi Park, The Residences at Greenbelt (Laguna Tower), The Columns and new mass housing projects; higher sales bookings at Ayala Westgrove Heights and Ferndale Homes; lot sales at Madrigal Business Park and Laguna Technopark in 2003; and higher rental revenues from shopping centers given new spaces at Greenbelt 2 & 3 as well as escalation in basic rent.

66% increase in interest and other income
Mainly due to gain on sale of shares of a landholding company and higher interest income from installment sales of mass housing projects.

27% increase in real estate cost and expenses
Mainly due to higher real estate revenues and change in revenue/product mix.

17% increase in general and administrative expenses
Primarily due to professional fees, higher payroll costs and ad & promo expenses; and additional expenses from new subsidiaries such as Ayala Land Sales, Inc. and Community Innovations, Inc.

118% increase in interest and other charges
Principally due to payment of unpaid balances in real estate property taxes, higher consolidated debt and higher effective interest rate.

30% decrease in provision for income tax
Basically due to lower taxable income as a result of the higher general and administrative expenses and interest and other charges.

273% increase in net earnings applicable to minority interest
Largely due to higher net income from Laguna Technopark, Inc.

Balance Sheet items – *End-2003 versus End-2002*

15% decrease in cash and cash equivalents
Mainly due to the investment in Bonifacio Land Corporation and special cash dividends; partly offset by proceeds from the bond issuance and sale of non-strategic properties and investments.

14% increase in current portion of accounts and notes receivables
Primarily due to the increase in real estate sales.

21% increase in condominium and residential units for sale
Mainly due to the construction progress at new residential building projects such as One Legazpi Park, The Residences at Greenbelt (Laguna Tower) and The Columns.

31% increase in deferred tax and other current assets
Due to higher input VAT and creditable withholding tax.

35% increase in non-current accounts and notes receivables
Largely due to increase in installment sales at various projects.

21% increase in investments
Primarily due to the investment in Bonifacio Land Corporation, additional construction costs for Market! Market! and Greenbelt redevelopment, and acquisition of the former Ayala Museum site from Ayala Corporation.

6% increase in accounts payable and accrued expenses
Primarily due to higher contractor's payables and higher deferred VAT.

25% decline in loans payable
Principally due to short-term loan repayment.

79% decline in income tax payable
Mainly due to lower income subject to the 32% corporate income tax.

331% increase in current portion of long-term debt
Largely due to reclass of maturing principal amortization of long-term debt.

71% increase in current portion of estimated liability for land and property development
Primarily due to new sales at existing and new projects.

6% increase in other current liabilities
Mainly due to higher buyers' deposits.

34% increase in long-term debt (net of current portion)
Principally due to bond issuance and new long-term loan availments.

12% increase in non-current liabilities and deposits
Largely due deposits from new tenants/merchants at Ayala Center.

68% increase in non-current portion of estimated liability for land and property development
Primarily due to new sales at existing and new projects.

Liquidity and Capital Resources – 2004

The Company sourced its capital requirements through a combination of internally generated cash, pre-selling, joint ventures, bank borrowings and STCP issuance. 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 P8.1 billion. Ending cash level stood at P6.36 billion while current ratio was at 1.71:1.

Guided by prudent financing strategies, ALI kept its borrowings at low levels, placing bank debt-to-equity ratio at a low level of 0.36:1. Total borrowings registered at P13.44 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 project & capital expenditures for 2004 amounted to P8.1 billion, broken down as follows:

Residential buildings/ townhouses	47%
Commercial centers/ office/ etc.	29%
Residential subdivisions	15%
Equity investments	9%
	100%

For 2005, the Company budgeted P13.6 billion* for project and capital expenditures, broken down as follows:

Residential buildings/ townhouses	51%
Commercial centers/ office	26%
Residential subdivisions	20%
Equity investments	3%
	100%

** Project and capital expenditures will be funded from pre-selling, internally-generated funds, some borrowings and proceeds from the sale of non-core assets and installment receivables.*

Item 7. Financial Statements

The 2004 consolidated financial statements of the Company are incorporated herein in the accompanying Index to Exhibits.

Separate significant accruals for payroll, taxes other than income taxes, interest and any other material items are not shown as the present consolidation process/system covers only major and/or condensed expense classifications (and without distinction for accruals either).

Net foreign exchange loss arising from foreign exchange transactions charged to operations was very minimal at 0.07% of total costs and expenses for the year ended December 31, 2004.

Item 8. Information on Independent Accountant and Other Related Matters

Independent Public Accountants

In 2004, the principal accountants and external auditors of the Company was the accounting firm of SyCip, Gorres, Velayo & Company (SGV & Co.).

Pursuant to Memorandum Circular No. 8, Series of 2003 (Rotation of External Auditors), the Company has not engaged with Ms. Jessica D. Cabaluna, partner of SGV & Co., for more than five years. Ms. Cabaluna was engaged by the Company since 2002 for the examination of the Company's financial statements.

External Audit Fees and Services

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
2004	6.5*	-	1.1**
2003	6.2*	-	3.1***

** Pertains to audit fees; no fees for other assurance and related services*
*** Pertains to fees paid for bank reconciliation services*
**** Pertains to fees for business process review and audit seminar conducted*

Under paragraph D.3.1 of the ALI Audit Committee Charter, the ALI Audit Committee recommends to the Board and stockholders the appointment of the external auditor and the fixing of audit fees. The Board and stockholders approve the Audit Committee's recommendation.

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Ayala Land, Inc. adopted the following Statement of Financial Accounting Standards (SFAS)/ International Accounting Standards (IAS) which became effective in 2004:

- SFAS 12/IAS 12, *Income Taxes*
- SFAS 17/IAS 17, *Leases*

The adoption of SFAS 12/IAS 12 resulted in the reclassification of the current deferred tax assets and liabilities to non-current deferred tax assets and liabilities, and in additional disclosures in the consolidated financial statements.

The adoption of SFAS 17/IAS 17 had no material effect on the consolidated financial statements but additional disclosures were made in the consolidated financial statements.

There were no disagreements with accountants on accounting and financial disclosure.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

Item 9. Directors and Executive Officers of the Registrant * (As of Dec. 31, 2004)

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	Ramon R. del Rosario, Jr.***
Jaime Augusto Zobel de Ayala II	Delfin L. Lazaro
Jaime I. Ayala	Leandro Y. Locsin, Jr.***
Nieves R. Confesor ***	Mercedita S. Nolledo

All of Ayala Land's Directors are Filipinos.

Fernando Zobel de Ayala, 44, has served as Chairman of the Board of Directors of ALI since 1999. He is also an Executive Managing Director, Co-Vice Chairman of the Board of Directors and Member of the Executive Committee of Ayala Corporation. His other significant positions include: Chairman of Manila Water Company, Inc., Roxas Land Corporation, Ayala Hotels, Inc., AC International Finance Ltd., and Alabang Commercial Corporation; Vice-Chairman of Ayala International Pte. Ltd.; Co-Vice Chairman and Trustee of Ayala Foundation, Inc.; Director of the Bank of the Philippine Islands, Globe Telecom, Inc., Integrated Microelectronics Inc. (IMI), and Habitat for Humanity International. He graduated with B.A. Liberal Arts at Harvard College in 1982.

Jaime Augusto Zobel de Ayala II, 45, has served as Director and member of the Executive Committee of ALI since 1988. He also serves as the Co-Vice Chairman of the Board of Directors, Member of the Executive Committee and Management Committee and President and CEO of Ayala Corporation; Chairman of the Board of Directors of Globe Telecom, Inc., Bank of the Philippine Islands, Ayala International Pte. Ltd., Integrated Microelectronics, Inc., and Azalea Technology Investment, Inc. His other significant positions include: Co-Vice Chairman and Trustee of Ayala Foundation, Inc.; Member of the Board of Directors of Asia Pacific Advisory Committee to the New York Stock Exchange, Inc., International Youth Foundation, and World Wildlife Fund; Member of the Board of Trustees of Asian Institute of Management, AIM-Washington Sycip Policy Center, Carlos P. Romulo Foundation for Peace and Development, and Makati Business Club. He graduated with B.A. in Economics (Cum Laude) at Harvard College in 1981 and took his MBA (with Distinction) at the Harvard Graduate School of Business Administration in 1987.

* *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*

Jaime I. Ayala, 42, has served as Director of ALI since 2004. He also serves as President and CEO of ALI. Concurrently, he is Managing Director of Ayala Corporation. His other significant positions include: Chairman of the Board of Directors of Cebu Holdings, Inc., Cebu Insular Hotel Co., Inc., Makati Development Corp., Laguna Properties Holdings, Inc., Station Square East Commercial Corp., and Makati Property Ventures, Inc.; Director of Ayala Greenfield Development Corporation, Aurora Properties, Inc., Vesta Property Holdings, Inc., Roxas Land Corporation, Ayala Land Sales, Inc., Community Innovations, Inc., Alabang Commercial Corp., Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Berkshire Holdings, Inc., Bonifacio Arts Foundation Inc., Ayala Hotels, Inc., Enjay Hotels, Inc., Astoria Investment Ventures, Inc., myAyala.com Inc., Ayala Center Association, Makati Parking Authority and World Wildlife Fund (WWF). Prior to joining ALI, he spent 19 years with McKinsey & Company in the US, Mexico, China, and Southeast Asia. At McKinsey, he was a Director (senior partner) and played a number of global and regional leadership roles, including President of McKinsey's Manila office. He earned his M.B.A. from Harvard School, graduating with honors in 1988. He completed his undergraduate work in 1984 at Princeton University, where he graduated Magna Cum Laude in Economics, with a minor in Engineering.

Nieves R. Confesor, 54, has served as an Independent Director of ALI since 2003. A member of the faculty of the Asian Institute of Management, she also served as Dean of the Institute in 2002 –2004, bringing the institution forward into the community of European and American accredited business schools. She presently serves as Chairman of the Government Peace Panel in the negotiations with the Communist Party of the Philippines-National Democratic Front- New People's Army. She serves as an adviser, external collaborator to the World Bank, the Asian Development Bank, the International Labor Organization, and the ASEAN secretariat as well as private companies like the Metropolitan Bank and Trust Corporation, Philippine National Oil Company, Philippine National Coal Corporation; local and international organizations such as the Philippine Agency for the Improvement of Community and Family, Inc. (PACAF), the Miriam College Foundation, Philippine Youth for Business, the Operating Council of the Global Alliance for Workers based in Washington D.C., USA; the International System for National Agricultural Research. She also served as presidential adviser on Human Resource Development and International Labor Affairs to former Philippine President Fidel V. Ramos, with the personal rank of Ambassador of Extraordinary and Plenipotentiary. She also served as the Philippines' first woman Secretary of Labor and Employment during the Corazon C. Aquino and Fidel V. Ramos administrations. In 1992, in recognition of her excellent service in government, she was named one of the Ten Outstanding Women in the Nation's Service (TOWNS) and received the Outstanding Service Award by the Philippine Civil Service Commission. She holds a Master in Public Policy and Administration from Harvard University in 1990 as an Edward S. Mason Fellow; had her Master in Business Administration from the Graduate School of Business of the Ateneo de Manila University in 1978; took special courses in Labor and Employment and in Asian Studies at the University of the Philippines and in International Economics, Negotiations, Women in Politics at Harvard University. She completed Bachelor of Arts in Literary Studies (Magna Cum Laude and Class Valedictorian) at Maryknoll College in 1971.

Ramon R. del Rosario, Jr., 60, has served as an Independent Director of ALI since 1994. He is President of Philippine Investment Management (PHINMA), Inc., President of Bacnotan Consolidated Industries, Inc., Chairman and CEO of AB Capital and Investment Corporation, Chairman of United Pulp and Paper Co., Inc., Director of Trans-Asia Oil & Energy Development Corporation, Roxas Holdings, Inc., and PSi Technologies, Inc. He served as the Philippines' Secretary of Finance in 1992-1993. He graduated with degrees in BSC-Accounting and AB-Social Sciences (Magna cum Laude) at De La Salle College, Manila in 1967 and earned his Masters in Business Administration at Harvard Business School in 1969.

Delfin L. Lazaro, 59, has served as member of the Board of Directors of ALI since 1996. He is also a Consultant and a member of the Management Committee of Ayala Corporation; Director and Chairman of the Executive Committee of Globe Telecom, Inc.; Director and President of Ayala Infrastructure Ventures, Inc. Formerly, Mr. Lazaro was the President and CEO of Benguet Corporation and Secretary of the Department of Energy of the Philippine government. 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. He graduated with BS Metallurgical Engineering at University of the Philippines in 1967 and took his MBA (with Distinction) at Harvard Graduate School of Business in 1971.

Leandro Y. Locsin, Jr., 42, has served as an Independent Director of ALI since 1994. He also serves as Administrator and Design Consultant of Leandro V. Locsin Partners Architects; Senior Vice President of C-J Yulo & Sons and Canlubang Sugar Estate; Director of World Wildlife Fund, Phils., The Beacon School, De La Salle University – Canlubang, Vesta Holdings Corp., The Asian Cultural Council Philippines and Museo Pambata ng Maynila. He graduated with Bachelor of Arts, Double Major in Architecture and Eastern Art History at Wesleyan University, Middletown, Connecticut, USA and had his Masters in Architecture at Harvard University Graduate School of Design, Cambridge, Massachusetts, USA in 1989.

Mercedita S. Nolledo, 63, has served as Director and Corporate Secretary of ALI since 1994. She also serves as Board member, Senior Managing Director and Corporate Secretary of Ayala Corporation, and General Counsel of the Ayala Group of Companies. Her other significant positions include: Director of Ayala Aon Risk Services, Inc., Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Ayala Automotive Holdings, Inc., and Bank of the Philippine Islands; Corporate Secretary and Member of the Board of Trustees of Ayala Foundation, Inc. (AFI); Director and Treasurer of Aurora Properties Inc., and Vesta Property Holdings Inc. She had her education at University of the Philippines and graduated Magna Cum Laude and Class Valedictorian in Bachelor of Science in Business Administration and Cum Laude and Class Valedictorian in Bachelor of Laws.

Elected to the Board of Directors on February 14, 2005:

Aurelio R. Montinola, III, 53, is the President and CEO of Bank of the Philippine Islands. His other affiliations include: Chairman of the Board of Directors of Amon Trading Corporation; Vice Chairman of the Board of Directors of Republic Cement Corporation; Vice Chairman of the Board of Trustees of Far Eastern University; President and Trustee of Alliance Francaise de Manille; Regional Director of MasterCard International; Member of the Board of Directors of Manila Water Company; Member of the Board of Trustees of BPI Foundation, Inc.; and Director of the Bankers Association of the Philippines. He graduated with BS Management Engineering at Ateneo de Manila University in 1973 and had his MBA at Harvard Business School in 1977.

Resignation of Directors

Mr. Francisco H. Licuanan III, a member of the Board of Directors since 1988, retired from Ayala Corporation/Ayala Land effective September 16, 2004. His resignation from the Board of the Corporation is not due to any disagreement with the Corporation's operations, policies and practices.

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 Officers (As of Dec. 31, 2004)

Jaime I. Ayala *	President
Mercedita S. Nolledo*	Corporate Secretary
Vincent Y. Tan	Executive Vice President
Manuel J. Colayco, Jr. **	Senior Vice President
Tristan B. dela Rosa **	Senior Vice President
Miriam O. Katigbak	Senior Vice President
Angela dV. Lacson	Senior Vice President
Jaime E. Ysmael	Senior Vice President & Chief Finance Officer
Jose Rene D. Almendras	Vice President
Ma. Victoria E. Añonuevo	Vice President
Dinna G. Bayangos ***	Vice President
Augusto D. Bengzon	Vice President & Treasurer
Bernard Vincent O. Dy ***	Vice President
Raul M. Irlanda	Vice President
Ma. Cynthia H. Poblador	Vice President
Emilio J. Tumbocon	Vice President

* *Members of the Board*
** *Resigned from the Company effective December 31, 2004*
*** *Member of the Management Committee effective January 1, 2005*

All of the above Management Committee Members and Key Officers hold Filipino citizenships, except for Mr. Dy who holds an American citizenship.

Vincent Y. Tan, 54, is Executive Vice-President, member of the Management Committee and Head of the Planning Group of ALI. His other positions include: Chairman of the Board of Laguna Technopark, Inc., CMPI Holdings, Inc. and CMPI Land, Inc.; Vice Chairman of the Board of Directors of Ayalaport, Inc.; President of ALInet.com, Inc.; and Member of the Board of Directors of Ayala Greenfield Development Corporation, Community Innovations, Inc., Station Square East Commercial Corporation, Aurora Properties, Inc., Vesta Property Holdings, Inc., Ayalaport Makati, Inc., myAyala.com, Inc., Metro Rail Transit Corporation, Metro Rail Transit Dev. Corp., Metro Rail Transit Holdings II, Inc., MRT Holdings, Inc. and North Triangle Development Corporation. He graduated with a degree of B.S. Management Engineering (Cum Laude) at the Ateneo de Manila University in 1971 and earned his M.B.A. (Concentration in Management Science and Finance) at the University of Chicago in 1973.

Manuel J. Colayco, 65, was Senior Vice-President and member of the Management Committee of ALI. He was also Director and President of Laguna Properties Holdings, Inc., Buklod Bahayan Realty & Development Corporation, Laguna Phenix Structures Corporation and Director of First Communities Finance Corporation. He graduated with a degree of A.B. Major in Mathematics and English at the University of Sto. Tomas and was an undergraduate in Masters in Industrial Management at the University of the Philippines. Mr. Colayco resigned from the Company effective December 31, 2004.

Tristan B. de la Rosa, 53, joined ALI in September 2002 as Senior Vice President. He headed both the Sales and Marketing Services Group and the Land & Community Development Group. A member of the Management Committee of ALI, he was also President of Ayala Land Sales, Inc. Prior to joining ALI, Mr. de la Rosa was Managing Director of Wrigley Philippines, Inc. (1998-2002); and Managing Director and General Manager, respectively, of Johnson & Johnson Hong Kong (1997-98) and Vietnam (1993-96). He graduated as class valedictorian, with a degree of Bachelor of Science in Business Administration and Marketing at the University of the Philippines. Mr. dela Rosa resigned from the Company effective December 31, 2004.

Miriam O. Katigbak, 51, is Senior Vice-President, member of the Management Committee and Head of the Commercial Centers Group of Ayala Land, Inc. (ALI). Her other significant positions include: Director of Cebu Holdings, Inc. and Alabang Commercial Corporation; President of Ayala Theaters Management, Inc., ALI-Concepcion Industries, Inc., Station Square East Commercial Corp. and Five-Star Cinema Corp.; Vice-President and Director of Leisure Allied Industries (Phils.); Board member of Lagoon Development Corporation and Governor of Ayala Center Association. She graduated with Bachelor of Science in Education, Major in Mathematics at St. Scholastica's College. She took the Management Development Program at Asian Institute of Management in 1993 and at University of Michigan in 1997.

Angela dV. Lacson, 57, joined ALI in July 1999. She is Senior Vice President and Head of the Residential Buildings Group and Core Middle-Income Residential Group of ALI. Her other significant positions include: President & Director of Community Innovations, Inc.; General Manager of Roxas Land Corporation; and Director of Ayala Land, Sales, Inc., Ayala Property Management Corporation, Makati Development Corporation and Laguna Properties Holdings, Inc. Prior to joining ALI, she was Vice President and Marketing Director of San Miguel Brewing Philippines (1998-1999), Marketing Director of the San Miguel Food Group (1996-1997), VP and Division Head of J. Walter Thompson (1995). She graduated with a degree of Bachelor of Liberal Arts, Major in Mathematics and English Literature (Magna Cum Laude) at the Assumption College.

Jaime E. Ysmael, 44, is Senior Vice President, Chief Finance Officer and member of the Management Committee of Ayala Land, Inc. Concurrently, he is Managing Director of Ayala Corporation and Chief Operating Officer of Ayala Hotels, Inc. His other significant positions include: Director and President of First Communities Realty, Inc.; Director and Treasurer of Alinet.com, Cebu Insular Hotel Co., Inc., Community Innovations, Inc., Enjay Hotels, Inc., Laguna Technopark, Inc. and Makati Property Ventures, Inc.; Treasurer of Astoria Investment Ventures, Inc.; Director of Aurora Properties, Inc., Alabang Commercial Corp., Laguna Phoenix Structures Corp., Makati Theatres, Inc., Station Square East Commercial Corp., and Vesta Properties Holdings, Inc.; and Chief Finance Officer of Roxas Land Corp. He graduated Summa Cum Laude at the University of the East with a degree of Bachelor of Science in Business Administration, Major in Accounting. He holds an M.B.A. degree (Major in Finance) at

The Wharton School and an M.A. degree in International Studies at the School of Arts and Sciences of the University of Pennsylvania under The Joseph H. Lauder Institute of Management and International Studies.

Jose Rene D. Almendras, 44, is Vice President assigned to the Visayas-Mindanao group and a member of the Management Committee of ALI. His other significant positions include: President and Director of Cebu Holdings, Inc. and Cebu Property Ventures and Development Corp. since May 2001. He is also the President of City Sports Club Cebu, trustee of the Ramon Aboitiz Foundation, Inc., Director of JDA Agro-Industrial Development Corp. Prior to joining CHI, he served as President and CEO of City Savings Bank and First Vice President of Aboitiz Equity Ventures. He graduated Business Management at Ateneo de Manila University and finished the Strategic Business Economic Program at the University of Asia and the Pacific.

Ma. Victoria E. Añonuevo, 54, is Vice-President and Member of the Management Committee of ALI. She also serves as Head of the Corporate Business Group and the Leisure & Lifestyle Communities Group of ALI, as well as President of Laguna Technopark, Inc. She graduated with a degree of Bachelor of Science in Business Administration, Major in Marketing (Cum Laude) at the University of the Philippines in 1971 and had her Masters in Business Administration at the University of the Philippines in 1975. She was sent by Ayala Land, Inc. as a scholar to the Program for Management Development, Harvard Business School, 1997 in Boston, Massachusetts, USA.

Dinna G. Bayangos, 40, is Vice President and member of the Management Committee of ALI effective January 1, 2005. She is also the President of Laguna Properties Holdings, Inc. Her other significant positions include: Director of Community Innovations, Inc., Makati Development Corp. and Cebu Holdings, Inc. Before she became President of LPHI, she was an Assistant Vice President and Head of the Corporate Planning Division and a Senior Division Manager at the Residential Buildings Group of ALI. She graduated with a degree of A.B. Major in Economics and B.S.C. Major in Management of Financial Institutions at De La Salle University and took her Masteral in Business Management at the Asian Institute of Management.

Augusto D. Bengzon, 41, joined ALI in December 2004 as Vice President and Treasurer. Prior to joining ALI, he was Vice President and Credit Officer in Global Relationship Banking at Citibank N.A. where he spent sixteen years in various line management roles covering Treasury, Portfolio Management, Structuring, Debt Syndication and Relationship Management. He received his Bachelor of Science degree in Business Management from the Ateneo de Manila University and is a graduate of the Philippine Trust Institute. He was granted a full scholarship by the Asian Institute of Management where he received his Masters in Business Management degree.

Bernard Vincent O. Dy**,** 41, is Vice President & member of the Management Committee of Ayala Land, Inc. effective January 1, 2005 and currently heads the Land & Community Development Group. His other significant positions include: Director of Fort Bonifacio Development Group and Director of Lagoon Development Corporation. He graduated with a degree of Bachelor of Science in Business Administration from the University of Notre Dame and took up his MBA and Masters in International Relations at the University of Chicago.

Raul M. Irlanda, 49, is Vice-President, member of the Management Committee, President and board member of Ayala Property Management Corporation. He is the first and only Filipino Certified Facility Manager (CFM) by the International Facility Management Association (IFMA). He is also Governor of Ayala Center Association, Group Head of Ayala Security Force, Director and Vice-President of Tower One Condominium Corporation, and Board Adviser of the College of Technology Management at University of Makati. He graduated with a degree of Bachelor of Science in Management/Finance from San Sebastian College and obtained his Master of Business Administration major in Financial Management from De La Salle University.

Ma. Cynthia H. Poblador, 51, joined ALI in 1991. She is Vice-President, member of the Management Committee and Head of the Legal Division of ALI. She graduated Cum Laude from the University of the Philippines (UP) with a degree of Bachelor of Arts in Political Science in 1974. In1978, she graduated Cum Laude from the UP College of Law. She is currently the Corporate Secretary of Serendra, Inc. and Buendia Land Holdings, Inc.

Emilio J. Tumbocon, 48, is Vice-President, member of the Management Committee and Head of the Construction Group of ALI and concurrently, serves as President & Director of Makati Development Corporation, an wholly owned construction subsidiary of ALI. He is also the President of the Philippine Constructors Association, Inc. (PCA), Director of the Construction Industry Authority of the Philippines (CIAP), Department of Trade & Industry and Board Member of the International Federation of Asia & Western Pacific Contractors' Associations (IFAWPCA) and Asean Contractors Federation (ACF). He graduated at the University of the Philippines with a degree of Bachelor of Science in Civil Engineering (C.E. '79) and graduated in Masters in Business Administration (MBA '85 at the same university. He also took the 1987 Construction Executive Program at Stanford University, Palo Alto, California, U.S.A., the Senior Business Executive Program in 1991 at the University of Asia and the Pacific, and The Executive Program in 1997 at Darden Graduate School of Business Administration, University of Virginia, Charlottesville, Virginia, U.S.A.

Significant Employees

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

Family Relationships

Fernando Zobel de Ayala, Chairman of the Board of Directors, and Jaime Augusto Zobel de Ayala II, 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 member of the Board of Directors who is neither an officer nor consultant of the Corporation shall be entitled to receive a reasonable per diem in an amount to be determined by the Board of Directors for his attendance in Board meetings. Any additional compensation, other than per diems, to be given to members of the Board of Directors shall be subject to stockholders' approval."

During the Annual Stockholders' Meeting held on April 2, 2003, the stockholders ratified the resolution fixing the remuneration of non-executive directors at P1,000,000.00 consisting of the following components:

Retainer Fee:	P500,000.00
Per diem per Board meeting attended:	P100,000.00

In addition, a non-executive director is entitled to a per diem of P20,000.00 per board committee meeting actually attended.

Officers. The Company adopts a performance-based compensation scheme as incentive. Total compensation paid to all senior personnel from Manager and up amounted to P352.79 million in 2003 and P437.74 million in 2004. The projected total annual compensation for the current year is P481.51 million.

The total annual compensation of the President and top 10 officers of the Company amounted to P91.4 million in 2003 and P92.12 million for 2004. The projected total annual compensation for the current year is P101.33 million.

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 other taxable income).

Name	Principal Posistion	2005 *		2004		2003	
		Basic Pay	Other Variable Pay	Basic Pay	Other Variable Pay	Basic Pay	Other Variable Pay
Jaime I. Ayala	President						
Vincent Y. Tan	Executive Vice President						
Tristan B. dela Rosa	Senior Vice President						
Miriam O. Katigbak	Senior Vice President						
Jaime E. Ysmael	Senior Vice President						
Angela DV. Lacson	Senior Vice President						
Jose Rene D. Almendras	Vice President						
Ma. Victoria E. Añonuevo	Vice President						
Emilio J. Tumbocon	Vice President						
Raul M. Irlanda	Vice President						
Ma. Cynthia H. Poblador	Vice President						
All above-named Officers as a group		P95.55 Mn	P5.78 Mn	P86.86 Mn	P5.26 Mn	P85.99 Mn	P5.41 Mn

* *Projected Annual Compensation*

Name	2005 *		2004		2003	
	Basic Pay	Other Variable Pay	Basic Pay	Other Variable Pay	Basic Pay	Other Variable Pay
All Officers** as a Group	P461.9 Mn	P19.61 Mn	P419.91 Mn	P17.83 Mn	P332.87 Mn	P19.92 Mn

* *Projected Annual Compensation*
** *Managers and up*

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.

None of the Directors, in their personal capacity, have been contracted and compensated by the Company for services other than those provided as a Director.

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 offered the Executive Stock Option Plan (ESOP) to the Company's officers since 1998. Of the above named officers, there were 4.16 million common shares exercised for the year 2004 by the following officers, to wit:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at Date of Grant
Ma. Victoria E.Añonuevo		Various	Various	Various
Raul M. Irlanda		Various	Various	Various
Angela dV. Lacson		Various	Various	Various
Emilio J. Tumbocon		Various	Various	Various
Jaime E. Ysmael		Various	Various	Various
All above-named Officers as a group	4,165,146		4.43 *	5.62 *

** Average prices on the dates of grant*

The Company has not adjusted nor amended the exercise price of the options previously awarded to the above named directors and officers.

For other details on Stock Options, please refer to Note 17 ("Stock Option Plans") of the Notes to Consolidated Financial Statements of the 2004 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 Certain Record and Beneficial Owners (of more than 5%) as of December 31, 2004

Type 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 Class**
Common	Ayala Corporation[1] 34/F Tower One Bldg. Ayala Ave., Makati City	Ayala Corporation[2]	Filipino	6,731,199,095	62.468%
Common	PCD Nominee Corporation (Non-Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	Hongkong and Shanghai Banking Corporation (HSBC) and Standard Chartered Bank (SCB)[4]	Various	2,677,852,010	24.852%
Common	PCD Nominee Corporation (Filipino)[3] G/F MSE Bldg. Ayala Ave., Makati City	Hongkong and Shanghai Banking Corporation (HSBC) and Standard Chartered Bank (SCB)[4]	Filipino	818,874,195	7.600%

(b) Security Ownership of Directors and Management as of December 31, 2004

Type of Class	**Name of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**		**Citizenship**	**Percent of Class**
Directors					
Common	Fernando Zobel de Ayala	559,400	(direct & indirect)	Filipino	0.00519%
Common	Jaime Augusto Zobel de Ayala II	10,000	(direct)	Filipino	0.00009%
Common	Jaime I. Ayala	1	(direct)	Filipino	0.00000%
Common	Mercedita S. Nolledo	51,753	(direct)	Filipino	0.00048%
Common	Nieves R. Confesor	1	(direct)	Filipino	0.00000%
Common	Ramon R. del Rosario, Jr.	1	(direct)	Filipino	0.00000%
Common	Delfin L. Lazaro	1	(direct)	Filipino	0.00000%
Common	Leandro Y. Locsin, Jr.	1,422,885	(direct)	Filipino	0.01320%
CEO and Ten Most Highly Compensated Officers					
Common	Jaime I. Ayala	1	(direct)	Filipino	0.00000%
Common	Vincent Y. Tan	843,950	(direct)	Filipino	0.00783%
Common	Tristan B. dela Rosa	0		Filipino	0.00000%
Common	Miriam O. Katigbak	153,672	(direct)	Filipino	0.00143%
Common	Jaime E. Ysmael	339,513	(direct & indirect)	Filipino	0.00315%

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1 The Co-Vice Chairman of Ayala Corporation, Fernando Zobel de Ayala, is the Chairman of the Board of the Company.

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

3 The PCD is not related to the Company.

4 HSBC and SCB are participants of PCD. The 1,744,349,655 and 627,376,581 shares beneficially owned by HSBC and SCB, respectively, form part of the 3,496,726,205 shares registered in the name of PCD Non-Filipino and Filipino. The clients of HSBC and SCB have the power to decide how the Company's shares are to be voted.

Common	Angela dV. Lacson	305,418 (direct)	Filipino	0.00283%
Common	Jose Rene D. Almendras	0	Filipino	0.00000%
Common	Ma. Victoria E. Añonuevo	616,333 (direct & indirect)	Filipino	0.00572%
Common	Emilio J. Tumbocon	219,799 (direct)	Filipino	0.00204%
Common	Raul M. Irlanda	150 (direct)	Filipino	0.00000%
Common	Ma. Cynthia H. Poblador	54,783 (direct)	Filipino	0.00051%
Other Executive Officers				
Common	Dinna G. Bayangos	0	Filipino	0.00000%
Common	Bernard Vincent O. Dy	0	American	0.00000%
All Directors and Officers as a Group		***4,577,660***		***0.04248%***

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 Corporation has occurred since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

Related Transactions

The Company, in its regular course of trade or business, enters into transactions with principal stockholders, subsidiaries, affiliates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of land and other assets, construction contracts, and development, management, underwriting, marketing, and administrative service agreements. Sales and purchases of goods and services to and from related parties are made at normal market prices. In addition, the Company obtains borrowings from an affiliated commercial bank.

No transaction was undertaken or to be undertaken by the Company in which any Director or Executive Officer, nominee for election as Director, or any member of their immediate family was or to be involved or had or will have a direct or indirect material interest.

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.

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

Please refer to Note 14 (“Related Party transactions”) of the Notes to Consolidated Financial Statements of the 2004 Audited Financial Statements which is incorporated herein in the accompanying Index to Exhibits.

Parent Company / Major Holders

As of December 31, 2004, Ayala Corporation holds or owns 62.47% of the total issued and outstanding capital stock of the Company, while PCD Nominee Corporation (Non-Filipino) holds or owns 24.85% and PCD Nominee Corporation (Filipino) holds 7.60%.

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

Hongkong and Shanghai Banking Corporation (HSBC) and Standard Chartered Bank (SCB) are participants of PCD. The 1,744,349,655 and 627,376,581 shares beneficially owned by HSBC and SCB, respectively, form part of the 3,496,726,205 shares registered in the name of PCD Non-Filipino and Filipino. The clients of HSBC and SCB have the power to decide how the Company’s shares are to be voted.

PART V – CORPORATE GOVERNANCE

Item 13. Compliance with leading practice on Corporate Governance

The Company adopted the Manual of Corporate Governance and full compliance with the same has been made since the adoption of the Manual, except for the following:

(i) Development of mechanisms to monitor the performance of the Board
(The Company is in the process of developing a mechanism to review the performance of the Board)

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

PART VI – EXHIBITS AND SCHEDULES

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:

2004 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 2004 through official disclosure letters dated:

February 3, 2004
ALI submitted its unaudited financial results for the year ended December 31, 2003.

March 24, 2004
ALI filed with the SEC a Registration Statement to renew its P1.0 billion STCPs at an increased amount of P2.0 billion.

April 29, 2004
ALI has been issued a pre-effective order on its registration of the P2.0 billion STCPs by the SEC.

May 14, 2004
ALI has been issued an Order of Registration and a Certificate of Permit to Sell P2.0 billion STCPs.

June 28, 2004
ALI Board approved the following appointments effective July 1, 2004:
- Mr. Jaime I. Ayala as President of ALI, replacing Mr. Francisco H. Licuanan III
- Mr. Jaime I. Ayala as member of the ALI Nomination Committee and Executive Committee; and
- Mr. Jaime E. Ysmael as Treasurer, replacing Mrs. Mercedita S. Nolledo

July 27, 2004
ALI's Board of Directors approved the declaration of a regular cash dividend of P0.03 per share corresponding to the first semester of 2004.

December 7, 2004
ALI's Board of Directors approved the declaration of a regular cash dividend of P0.03 per share corresponding to the second semester of 2004. ALI's 2005 Annual Stockholders' Meeting was set at April 6, 2005.

December 23, 2004
ALI and Fil-Estate Group entered into collaborative agreements for the acquisition by ALI of the minority interests of Fil-Estate Group in the North Triangle Depot Commercial Corporation, and for the assignment by ALI of all of its interests in certain companies owning developable properties in the Makati Central Business District.

(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 1 4 2005.

By:

Jaime I. Ayala
President / Chief Executive Officer

Mercedita S. Nolledo
Corporate Secretary

Jaime E. Ysmael
Chief Finance Officer

Segundina J. Laurel
Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this APR 1 4 2005 affiants exhibiting to me their Community Tax Certificates, as follows:

Names	C.T. Cert. No.	Date of Issue	Place of Issue
Jaime I. Ayala	14665883	January 19, 2005	Makati City
Mercedita S. Nolledo	18180266	February 15, 2005	Makati City
Jaime E. Ysmael	14699181	February 4, 2005	Makati City
Segundina J. Laurel	00185201	April 8, 2005	Pasig City

MARIA ANGELI L. FERRER
NOTARY PUBLIC FOR MAKATI CITY
APPT.# M-42 UNTIL 12-31-05/ROLL# 38976
PTR# 9437590/01-05-05/MAKATI CITY
IBP LRN 02744/01-11-02/NEG. OCC.
TOWER ONE & EXCHANGE PLAZA, AYALA TRIA.
AYALA AVE., MAKATI CITY, 1226 M.M. PHILS.
Notary Public

Doc. No. 192;
Page No. 40;
Book No. XIII;
Series of 2005.

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)	2004 Consolidated Financial Statements: Ayala Land, Inc. and Subsidiaries (with notarized Statement of Management Responsibility)	Attached
	2004 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	51
(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.

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n.a. Not applicable or require no answer.

AYALA LAND, INC. - SUBSIDIARIES AND AFFILIATES
(As of December 31, 2004)

Subsidiaries	Ownership (%) By ALI	By the Subs.	Nature of Business
Laguna Properties Holdings, Inc.	100.0		Mass housing development
Buklod Bahayan Realty and Devt. Corp.		100.0	Socialized housing development
First Communities Finance Corporation		100.0	Financing company
Laguna Phenix Structures Corporation.		50.0	Pre-fabricated house manufacturing
Makati Development Corporation	100.0		Construction company
MG Construction Ventures Holdings, Inc.		66.0	Construction holding company
Community Innovations, Inc.	100.0		Residential property development
Serendra, Inc.		38.9	Residential property development
Ayala Land Sales, Inc.	100.0		Real estate broker company
Ayala Property Management Corporation	100.0		Property management
Ayala Theatres Management, Inc.	100.0		Theatre management
Alabang Theatres Management Corp.		100.0	Theatre management
Five Star Cinema, Inc.	100.0		Theatre management
Ayala Infrastructure Ventures, Inc.*	100.0		Holding company
MRT Holdings, Inc.		18.6	Holding Company
Metro Rail Transit Corp. Ltd.		84.9	Rail transportation development
Amorsedia Development Corporation	100.0		Land holding company
OLC Development Corporation		100.0	Land holding company
Ayala Greenfield Development Corp.		50.0	Property development
HLC Development Corporation		100.0	Land holding company
Red Creek Properties, Inc.	100.0		Land holding company
Crimson Field Enterprises, Inc.	100.0		Land holding company
Streamwood Property, Inc.	100.0		Land holding company
Piedmont Property Ventures, Inc.	100.0		Land holding company
Stonehaven Land, Inc.	100.0		Land holding company
Buendia Landholdings, Inc.	100.0		Land holding company
Bridgebury Realty Corporation	100.0		Land holding company
Oxbury Realty Corporation	100.0		Land holding company
Food Court Company, Inc.	100.0		Food court operations
ALInet.com, Inc.	100.0		Holding company
MyAyala.com, Inc.		50.0	Lifestyle and entertainment portal
Ayalaport, Inc.		50.0	Holding company
Ayalaport Makati, Inc.		62.0	Internet data center development
Station Square East Commercial Corp.	72.2		Shopping center development/operations
Vesta Property Holdings, Inc.	70.0		Mixed-use development
Aurora Properties, Inc.	70.0		Mixed-use development
Ceci Realty, Inc.	62.0		Property development
Laguna Technopark, Inc.	61.0		Industrial estate development
Ayala Realty Development Corp.	65.0		Property development
CMPI Holdings, Inc.	60.0		Holding company
CMPI Land, Inc.		60.0	Land holding company
Ayala Hotels, Inc.	50.0		Hotel holding company
Enjay Hotels, Inc.		100.0	Hotel operations
Cebu Insular Hotel Company, Inc.		62.9	Hotel operations
Makati Property Ventures, Inc.		60.0	Serviced apartment operations
Roxas Land Corporation	50.0		Property development
ALI-CII Development Corporation	50.0		Shopping center development/operations
Leisure and Allied Industries Phils., Inc.	50.0		Family entertainment center operation/management
Serendra, Inc.	28.1		Residential property development

All of the above subsidiaries are incorporated in the Philippines.

AYALA LAND, INC. - SUBSIDIARIES AND AFFILIATES
(As of December 31, 2004)

Affiliates	Ownership (%) By ALI	Ownership (%) By the Affiliate	Nature of Business
Alabang Commercial Corporation	50.0		Shopping center development/operations
Cebu Holdings, Inc.	47.2		Mixed-use development
Cebu Property Ventures & Devt. Corp.	8.0	76.0	Mixed-use development
Cebu Leisure Company, Inc.		100.0	Entertainment facilities management
CBP Theatre Management Inc.		100.0	Theatre management
Cebu Insular Hotel Company, Inc.		37.1	Hotel operations
Lagoon Development Corporation	30.0		Shopping center development/operations
Emerging City Holdings, Inc.	50.0		Holding company
Columbus Holdings, Inc.		70.0	Holding company
Bonifacio Land Corp.**		50.4	Property development
Fort Bonifacio Devt. Corp.***		55.0	Property development
Berkshires Holdings, Inc.	50.0		Holding company
Columbus Holdings, Inc.		30.0	Holding company
Bonifacio Land Corp.**		50.4	Property development
Fort Bonifacio Devt. Corp.***		55.0	Property development
Regent Time International Limited	100.0		Holding company
Bonifacio Land Corp.**		3.9	Property development
North Triangle Depot Commercial Corp.	49.0		Shopping center development/operations

* *Renamed Astoria Investment Ventures, Inc. in February 2005*
** *ALI's effective ownership in Bonifacio Land Corporation is 32.1%*
*** *ALI's effective ownership in Fort Bonifacio Development Corporation is 17.6%*

All of the above affiliates, except for Regent Time International Ltd., are incorporated in the Philippines. Regent is incorporated in the British Virgin Islands.

AYALA LAND, INC.

INDEX TO SUPPLEMENTARY SCHEDULES
Form 17-A, Item 7

SGV & Co

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-F

Report of Independent Auditors
On Supplementary Schedules

Ayala Land, Inc.
Tower One, Ayala Triangle
Ayala Avenue, Makati City

We have audited in accordance with auditing standards generally accepted in the Philippines, the consolidated financial statements of Ayala Land, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated February 14, 2005. 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 Financial Statements and Supplementary Schedules are the responsibility of the Company's management and are presented for purposes of complying with the Securities Regulation Code Rules 68 and 68.1 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 financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

SyCip Gorres Velayo & Co

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-A
Tax Identification No. 102-082-365
PTR No. 1195834, January 3, 2005, Makati City

February 14, 2005

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE A - MARKETABLE SECURITIES
(Current Marketable Equity Securities and Other Short-Term Cash Investments)

NAME OF ISSUING ENTITY & ASSOCIATION OF EACH ISSUE	NUMBER OF SHARE OF PRINCIPAL AMOUNT	AMOUNT IN THE BALANCE SHEET	VALUED BASED ON MARKET QUOTATION AT BALANCE SHEED DATE	INCOME RECEIVED & ACCRUED
Short term Investment				
BPI				
Treasury Bills		(0)		6,852,116
Special Savings Account		3,922,501,146		91,873,328
Commercial Paper		0		0
Repurchased Bills		(0)		0
Time Deposits		1,201,517		0
Others		17,590,668		944,823
(Basis will be schedule from Treasury or from your financial institution)				
Others Banks				
Treasury Bills		1		81,301,787
Special Savings Account		1,441,188,996		86,971,119
Commercial Paper		0		0
Repurchased Bills		18,544,633		308,067
Time Deposits		221,950,585		1,536,914
Others		17,462,661		291,470
(Basis will be schedule from Treasury or from your financial institution)				
		5,640,440,206		**270,079,624**

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

N A M E	BEGINNING BALANCE NOTES RECEIVABLE	BEGINNING BALANCE ACCOUNTS RECEIVABLE	ADDITIONS NOTES RECEIVABLE	ADDITIONS ACCOUNTS RECEIVABLE	DEDUCTIONS NOTES RECEIVABLE	DEDUCTIONS ACCOUNTS RECEIVABLE	ENDING BALANCE ACCOUNTS RECEIVABLE CURRENT	ENDING BALANCE ACCOUNTS RECEIVABLE NON-CURRENT	ENDING BALANCE NOTES RECEIVABLE CURRENT	ENDING BALANCE NOTES RECEIVABLE NON-CURRENT	TOTALS
Employees	196,393,173	22,223,561	141,097,321	82,787,061	151,616,092	82,969,209	10,723,946	11,317,467	51,559,884	134,314,518	207,915,815
	196,393,173	**22,223,561**	**141,097,321**	**82,787,061**	**151,616,092**	**82,969,209**	**10,723,946**	**11,317,467**	**51,559,884**	**134,314,518**	**207,915,815**

Note:
The Company keeps the information on the name and designation of the debtors, and other details of the notes receivables confidential. There is no risk of loss on these advances as these are collateralized.

AYALA LAND INC. AND SUBSIDIARIES
Schedule C - (NONCURRENT MARKETABLE EQUITY SECURITIES,
OTHER LONG-TERM INVESTMENTS IN STOCK, AND OTHER INVESTMENTS

	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE			Dividends
NAME OF COMPANY	Number of Shares	Amount in Pesos	Equity in Earnings (Losses) of Investees for the period	Others (Cost & equity adj)	Distribution of Earnings by Investees	Others Cost (& equity adj)	Number of Shares	% of Effective Ownership	Amount in Pesos	Received/accrued fr Investments Not Accounted for by the Equity Method
Makati Development Corp.										
Alabang Country Club	2	140,000					2		140,000	
Cebu Holdings Inc.	1	978,500					1		978,500	
Philippine Long Distance Co.	1,250	92,900					1,250		92,900	
Meralco	18,739	187,390					18,739		187,390	
Samar Joint Ventures Inc		0							0	
Lima Joint Ventures Corp.		0							0	
Orchard Golf & Country Club	1	590,000					1		590,000	
Riviera Golf & Country Club	1	581,000					1		581,000	2,569,790
Ayala Property Mgmt Corp.										
Cebu Holdings Inc.	584,640	1,877,279					584,640		1,877,279	
Meralco	58,803	46,000					58,803		46,000	
Philippine Long Distance Co.	300	4,000					300		4,000	1,927,279
Laguna Properties Holdings Inc.										
Cebu Holdings Inc.	1,000,000	3,000,000					1,000,000		3,000,000	
LPHI Sales Corp.				3,000,000					3,000,000	
Alabang Country Club	1	841,700					1		841,700	
Philippine Long Distance Co.	0	23,700		0		5,700	0		18,000	
Meralco	1,464,365	14,643,653		14,076,845			2,872,050		28,720,498	35,580,198
Ayala Theatres Mgmt. Inc.										
Theatre Consultants Inc.	0	0				0				
Ayala Hotels Inc.										
The Penisula Manila	5,088,390	57,371,055					5,088,390		57,371,055	
Philippine Hoteliers Inc.	33,615	5,674,269				0	33,615		5,674,269	
Philippine Long Distance Co.	28,800	287,500					28,800		287,500	
Alabang Country Club	1	140,000					1		140,000	
Others investment of Enjay Inc.	0	303,244					0		303,244	63,776,068
									0	
Laguna Technopark Inc.										
Alabang Country Club	1	1,162,000					1		1,162,000	
Philippine Long Distance Co.	7,250	72,500			0	30,000	4,250		42,500	
Meralco	59,837	598,373		0		0	4,251		598,373	
Sta Elena Golf Club	2	3,500,000					2		3,500,000	5,302,873
Alinet.Com										
MyAyala.Com	25,000,000	4,962,388				2,336,039	25,000,000		2,626,349	
Ayala Port Inc.	0	0	10,655,853				0		10,655,853	
Ayala Port Makati Inc.		400,000					0		400,000	13,682,202
Ayala Infrastructure Venture Inc.										
MRT Holdings Inc.	4,278,512	855,702,328					4,278,512		855,702,328	
Amorsedia Dev't Corporation										
Meralco	428,645	4,286,450		5,803,060			1,008,951		10,089,510	
Studio Ventures Inc										
PLDT	1,000	14,000					1,000		14,000	
Ayala Land Inc.,									0	
Cebu Holdings Inc	907,350,948	1,476,103,069	35,458,490				907,350,948	47.00%	1,511,561,559	
Lagoon Development Corp.	442,500	77,717,508	(7,299,004)				442,500	30.00%	70,418,504	
Pilipinas Makro Inc.	759,640	1,125,720,103	30,334,360		396,368,560	759,685,903	0		(0)	
Alabang Comm. Corp.	533,504	444,667,332	64,819,669		19,034,881	18,750,000	158,504	50.00%	471,702,120	
Cebu Property Ventures Dev't Corp.	73,341,995	139,979,756					73,341,995		139,979,756	
Cebu City Sports Club	286	172,640,958		573,551		6,882,696	275		166,331,813	
Batangas Assets Corp.	27,500,000	27,500,000					27,500,000		27,500,000	
Ayala Realty Dev't Corp.	500,000	5,000,000				5,000,000	0		0	
Subic Bay Yacth Club	5	2,500,001		12,000,000		2,420,000	24		12,080,001	
Tagatay Highlands Inc.	1	1,696,000					1		1,696,000	
Alabang Country Club	11	12,595,392					11		12,595,392	
Ayala Tower Corporation	2,609	1,158,997					2,609		1,158,997	
Meralco	1,115,735	11,223,927		13,971,390			3,258,377		25,195,317	
Capitol Hills Inc.		253,772,920							253,772,920	
North Triangle Depot Comm. Corp		302,337,852		712,545,931				16.00%	1,014,883,784	
Boniacio Land Corp.		378,531,298	12,033,449	0					390,564,747	
Emerging City Holdings Inc.		1,564,574,890	101,740,352	1,419,583					1,667,734,825	
Berkshires Holdings Inc.		670,527,536	43,603,564	608,393					714,739,492	
									0	
									0	
									0	
									0	
	-	7,625,727,768					-		7,470,559,474	

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE D - INDEBTEDNESS OF UNCONSOLIDATED SUBSIDIARIES AND RELATED PARTIES

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

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE E - OTHER ASSETS

DESCRIPTION	BEGINNING BALANCE	ADDITIONS AT COST	CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCTS.	OTHER CHANGES ADDITIONS/ (DEDUCTIONS)	ENDING BALANCE
Deferred charges	201,390,448				317,297,721	518,688,169
Sundry receivables and deposits	111,213,468	0			15,562,554	126,776,022
Others	444,900,099				200,120,967	645,021,066
	757,504,015	**0**	**0**	**0**	**532,981,242**	**1,290,485,257**

AYALA LAND, INC. AND SUBSIDIARIES
SCHEDULE F - LONG-TERM DEBT

TITLE OF ISSUE & TYPE OF OBLIGATION	AMOUNT AUTHORIZED BY INDENTURE	CURRENT PORTION OF LONG-TERM DEBT	LONG-TERM DEBT	Interest Rate	Amount & No. of Periodic Installment		Maturity Date
Ayala Land, Inc.							
Bonds *(Various bondholders)*	3,000,000,000	-	3,000,000,000	MART1+2.00%	3,000,000,000	bullet payment at maturity	Apr 18 & 25, 2007
Bonds *(Various bondholders)*	1,000,000,000	-	1,000,000,000	MART1+1.25%	1,000,000,000	bullet payment at maturity	Nov. 28, 2008
Bonds *(Various bondholders)*	1,000,000,000	-	1,000,000,000	10.75%	1,000,000,000	bullet payment at maturity	Nov. 28, 2008
FXCNs *(BPI-Trust and Deutsche Bank-Trust)*	50,000,000	50,000,000	-	11.88%	50,000,000	bullet payment at maturity	Feb. 21, 2005
FXCNs *(Deutsche Bank-Trust)*	60,000,000	-	60,000,000	13.25%	60,000,000	bullet payment at maturity	Feb. 20, 2007
FXCNs *(First Guarantee Life Assurance, ING Bank-Trust, Security Bank and PS Bank)*	370,000,000	-	370,000,000	14.50%	370,000,000	bullet payment at maturity	Feb. 20, 2009
FXCNs *(The Philippine American Life & General Insurance Co. and Sunlife of Canada)*	580,000,000	-	580,000,000	14.88%	580,000,000	bullet payment at maturity	Feb. 20, 2012
Bank Loan *(Land Bank)*	500,000,000	166,666,667	166,666,667	91dTBill+1.50%	41,666,667	12 quarterly payments	Oct. 2, 2006
Bank Loan *(BPI-AMTG)*	850,000,000	255,000,000	595,000,000	10.00% 11.40%	255,000,000 595,000,000	30% balloon payt at end of 2nd yr 70% balloon payt at maturity	Jan. 20, 2006
Bank Loan *(EPCIB)*	500,000,000	12,500,000	487,500,000	MART1+1.50%	6,250,000 425,000,000	12 quarterly payments 85% balloon payt at maturity	Sept. 26, 2008
Subsidiaries							
Bank Loan *(BDO and China Bank)*	500,000,000	76,923,077	230,769,438	11.93%	19,230,769	20 quarterly payments	Oct. 26, 2008
Bank Loan *(Land Bank)*	500,000,000	166,666,667	333,333,333	91dTBill+1.50%	41,666,667	12 quarterly payments	Oct. 18, 2007
Bank Loan *(iBank)*	200,000,000	51,666,667	103,333,333	91dTBill+2.50%	25,833,333	6 semi-annual payments	Jul. 30, 2007
Bank Loan *(BPI Family Bank)*	53,571,429	7,936,508	37,698,413	12.00%	1,984,127	27 quarterly payments	Aug., 29, 2010
Bank Loan *(BPI)*	50,000,000	13,333,333	26,666,667	91dTBill+1.75%	3,333,333	15 quarterly payments	Nov. 29, 2007
Bank Loan *(BPI)*	100,000,000	26,666,667	73,333,333	MART1+1.75%	3,333,333	15 quarterly payments	Sept. 16, 2008
Bank Loan *(DEG)*	(Php equiv) 450,728,000	(Php equiv) 64,228,740	-	8.60%	approx. (Php equiv) 32,114,370	14 semi-annual payts	Sept. 15, 2005
Bank Loan *(DEG)*	(Php equiv) 1,126,820,000	(Php equiv) 161,135,260	(Php equiv) 482,278,960.00	8.55%	approx. (Php equiv) 80,567,630	14 semi-annual payts	Sept. 15, 2008
Bank Loan *(Security Bank, Banco de Oro, China Bank, iBank and Metrobank)*	2,000,000,000	58,014,533	1,392,348,800	MART1+2.50%	116,029,067 174,043,600 116,029,067 290,072,667 101,525,433 652,663,500	4 quarterly payments 4 quarterly payments 2 quarterly payments 4 quarterly payments 1 quarter payment balloon payt at maturity	Jun. 19, 2009
		-	450,366,667		140,514,400 309,852,267	15 quarterly payments balloon payt at maturity	Sept. 21, 2011
TOTAL		1,110,738,118	10,389,295,610				

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE G - INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED COMPANIES)

NAME OF AFFILIATE	BALANCE AT BEGINNING OF PERIOD	BALANCE AT END OF PERIOD
NOT APPLICABLE		

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE H - GUARANTEES OF SECURITIES OF OTHER ISSUERS

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	NAME OF GUARANTEE
NOT APPLICABLE				

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE I - CAPITAL STOCK

Title of Issue	No. of Shares Authorized	No. of Shares Issued & Outstanding		No. of Shares Reserved for Options Warrants, Conversion & Other Rights	No. of Shares Held by Related Parties		No. of Shares Held by Directors, Officers and Employees*
Common Stock	12,000,000,000	Issued	10,774,188,211	300,000,000	AC	6,731,199,095	4,577,660
		Subscribed	1,181,300	*(2.5% of authorized)*	AC Int'l Finance Ltd	113,782,150	
		Total	10,775,369,511			6,844,981,245	
		Less: Treasury Shares	24,081				
		Issued & Outstanding	10,775,345,430				

** The security ownership of Directors and Management is limited to shares owned by the Directors and Management Committee Members of ALI. Shareholdings of other officers and employees can not be ascertained as the Company does not monitor all trading transactions of all employees.*

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE J. - PROPERTY, PLANT AND EQUIPMENT

CLASSIFICATION	BEGINNING BALANCE	ADDITIONS AT COST	RETIREMENTS	OTHER CHARGES-ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Land and Improvements	347,274,451	33,285			347,307,736
Building Imrpovement	379,320,733	7,632,565		0	386,953,298
Machinery and Equipment	952,485,326	157,446,725	27,001,730		1,082,930,321
Transportation	252,298,491	61,886,683	41,447,168		272,738,006
Officer Furnitures & Fixtures	139,581,205	28,527,234	101,181		168,007,258
Leasehold Improvements	193,971,836	30,550,990	45,311,473		179,211,353
Computer Equipments	441,815,821	38,224,597	13,068,686		466,971,732
Others	33,775,071	4,926,329	101,015		38,600,385
	2,740,522,934	329,228,408	127,031,253	0	2,942,720,089

AYALA LAND INC. AND SUBSIDIARIES
SCHEDULE K.- ACCUMULATED DEPRECIATION

DESCRIPTION	BEGINNING BALANCE	ADDITIONS CHARGED TO COSTS & EXPENSES	RETIREMENTS	OTHER CHARGES- ADDITIONS (DEDUCTIONS)	ENDING BALANCE
Land and Improvements	2,808,035	8,159,355			10,967,390
Building Imrpovement	84,218,282	10,643,114			94,861,396
Machinery and Equipment	463,516,808	97,570,025	25,075,115		536,011,718
Trasnportation	153,007,607	48,831,796	36,843,381		164,996,022
Officer Furnitures & Fixtures	104,900,509	17,912,734	16,782	(53,091)	122,743,370
Leasehold Improvements	99,355,473	21,531,057	30,833,003		90,053,527
Computer Equipments	299,627,668	105,439,451	5,128,550		399,938,569
Others	18,566,235	4,033,426	35,355		22,564,306
	1,226,000,617	**314,120,958**	**97,932,186**	**(53,091)**	**1,442,136,298**

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Land, Inc. is responsible for all information and representations contained in the consolidated balance sheets of Ayala Land, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the period ended December 31, 2004. The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted 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 and its subsidiaries in accordance with generally accepted auditing standards in the Philippines and has expressed their opinion on the fairness of presentation upon completion of such examination, in their report to the Board of Directors and stockholders.

JAIME I. AYALA
President

JAIME E. YSMAEL
Chief Finance Officer

SUBSCRIBED AND SWORN to before me this FEB 21 2005 at Makati City, affiants exhibiting to me their respective Community Tax Certificates, to wit:

Name	CTC No.	Date & Place of Issue
Jaime I. Ayala	14665883	19 January 2005 – Makati City
Jaime E. Ysmael	14699181	02 February 2005 – Makati City

Doc. No. 120 ;
Page No 25 ;
Book No. X ;
Series of 2005.

PRIMA LIZA ... GUEVARA
Notary Public-Until ... Dec. 2005
PTR No. 0405509 - 06 Jan. 2005
Issued at Makati City
TIN: 132-783-308

COVER SHEET

1	5	2	7	4	7

SEC Registration Number

AYALA LAND, INC. AND SUBSIDIARIES

(Company's Full Name)

Tower One, Ayala Triangle, Ayala Avenue, Makati City

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

Ma. Teresa S. Palma

(Contact Person)

848-5772

(Company Telephone Number)

12 31
Month Day
(Fiscal Year)

AAFS
(Form Type)

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SGV & Co

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-F

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Ayala Land, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Philippines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ayala Land, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the Philippines.

Sycip Gorres Velayo & Co

Jessie D. Cabaluna
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-A
Tax Identification No. 102-082-365
PTR No. 1195834, January 3, 2005, Makati City

February 14, 2005

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	₱6,360,187	₱4,854,920
Accounts and notes receivable - net (Notes 4 and 14)	7,451,087	4,506,321
Subdivision land for sale	3,103,188	3,884,117
Condominium and residential units for sale	2,900,011	3,263,767
Other current assets (Note 5)	1,054,097	580,214
Total Current Assets	20,868,570	17,089,339
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 4 and 14)	6,444,706	5,458,708
Land and improvements (Note 9)	17,308,817	19,065,290
Investments - net (Notes 6, 9, 11 and 22)	25,935,443	22,712,299
Property and equipment - net (Note 7)	1,500,584	1,514,522
Deferred tax assets (Note 13)	649,478	656,824
Other noncurrent assets	641,007	515,070
Total Noncurrent Assets	52,480,035	49,922,713
	₱73,348,605	₱67,012,052
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 8)	₱5,738,741	₱4,023,475
Short-term debt (Note 9)	1,936,750	1,457,000
Income tax payable	165,869	112,507
Current portion of:		
Long-term debt (Note 9)	1,110,738	1,335,995
Estimated liability for land and property development	3,043,026	2,445,702
Other current liabilities	194,000	249,820
Total Current Liabilities	12,189,124	9,624,499
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 9)	10,389,295	11,588,299
Deferred tax liabilities (Note 13)	930,559	784,052
Noncurrent liabilities and deposits (Note 10)	3,117,716	2,670,732
Estimated liability for land and property development - net of current portion	2,225,086	1,228,484
Total Noncurrent Liabilities	16,662,656	16,271,567
Total Liabilities	28,851,780	25,896,066
Minority Interest in Consolidated Subsidiaries	6,771,370	5,842,715
Stockholders' Equity (Notes 11 and 17)		
Paid-up capital	14,368,670	14,278,780
Retained Earnings	23,357,342	20,995,048
Treasury Stock	(557)	(557)
Total Stockholders' Equity	37,725,455	35,273,271
	₱73,348,605	₱67,012,052

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Years Ended December 31		
	2004	2003	2002
REVENUE			
Real estate (Notes 14 and 21)	₱14,494,506	₱11,602,680	₱9,860,057
Hotel operations	1,549,217	1,282,325	1,308,957
Equity in net earnings of investees, interest, fees, investment and other income (Notes 6 and 14)	2,083,068	1,738,927	1,045,119
	18,126,791	14,623,932	12,214,133
COSTS AND EXPENSES			
Real estate (Notes 12 and 14)	9,341,652	6,910,722	5,458,797
Hotel operations (Note 12)	1,153,949	1,068,433	1,080,195
General and administrative expenses (Notes 12 and 14)	2,100,207	1,540,510	1,313,540
Interest and other charges (Notes 9 and 12)	1,327,665	1,517,493	695,130
Provision for income tax (Note 13)	1,252,526	793,102	1,125,278
	15,175,999	11,830,260	9,672,940
INCOME BEFORE NET EARNINGS (LOSS) APPLICABLE TO MINORITY INTEREST	2,950,792	2,793,672	2,541,193
NET EARNINGS (LOSS) APPLICABLE TO MINORITY INTEREST	(57,680)	84,517	22,678
NET INCOME	₱3,008,472	₱2,709,155	₱2,518,515
Earnings Per Share (Note 16)			
Basic	₱0.28	₱0.25	₱0.24
Diluted	0.28	0.25	0.24

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

	Years Ended December 31		
	2004	2003	2002
CAPITAL STOCK - ₱1 par value (Note 11)			
Issued			
Balance at beginning of year	₱10,760,802	₱10,691,879	₱10,691,832
Issuance of shares	–	63,375	47
Stock options exercised	13,387	5,548	–
Balance at end of year	10,774,189	10,760,802	10,691,879
Subscribed (Notes 11 and 17)			
Balance at beginning of year	1,728	1,842	1,499
Issuance of shares	(547)	(114)	–
Stock options exercised	–	–	343
Balance at end of year	1,181	1,728	1,842
ADDITIONAL PAID-IN CAPITAL (Note 17)			
Balance at beginning of year	3,526,221	3,018,990	3,013,769
Issuance of shares	–	468,975	–
Stock options exercised	71,598	38,256	5,221
Balance at end of year	3,597,819	3,526,221	3,018,990
SUBSCRIPTIONS RECEIVABLE (Note 17)			
Balance at beginning of year	(9,971)	(16,587)	(22,266)
Collections	5,452	6,616	5,679
Balance at end of year	(4,519)	(9,971)	(16,587)
TOTAL PAID-UP CAPITAL	14,368,670	14,278,780	13,696,124
RETAINED EARNINGS (Note 11)			
Appropriated for future expansion	6,000,000	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	14,995,048	15,711,434	15,438,180
Cash dividends - ₱0.06 per share in 2004, ₱0.32 per share in 2003 and ₱0.21 per share in 2002	(646,178)	(3,425,541)	(2,245,261)
Net income	3,008,472	2,709,155	2,518,515
Balance at end of year	17,357,342	14,995,048	15,711,434
	23,357,342	20,995,048	21,711,434
TREASURY STOCK (Note 11)	(557)	(557)	(557)
	₱37,725,455	₱35,273,271	₱35,407,001

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2004	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and net earnings (loss) applicable to minority interest	₱4,203,318	₱3,586,774	₱3,666,471
Adjustments for:			
Depreciation and amortization	937,465	801,677	810,303
Interest expense - net of amount capitalized	916,987	878,939	685,085
Provision for doubtful accounts	25,370	12,210	37,003
Dividends received from investee	19,035	18,460	10,500
Interest income	(659,442)	(535,830)	(696,926)
Equity in net earnings of investees	(295,941)	(128,417)	(37,195)
Gain on sale of investments	(220,377)	(552,582)	-
Operating income before changes in working capital	4,926,415	4,081,231	4,475,241
Decrease (increase) in:			
Accounts and notes receivable - trade	(3,442,917)	(1,302,371)	(1,788,714)
Subdivision land for sale	725,698	(104,447)	406,244
Condominium and residential units for sale	736,937	229,843	1,728,329
Other current assets	(473,883)	(98,737)	99,992
Increase (decrease) in:			
Accounts payable and accrued expenses	1,723,122	243,016	(1,067,411)
Other current liabilities	(55,820)	25,559	64,309
Estimated liability for land and property development	1,593,926	1,514,998	656,338
Cash generated from operations	5,733,478	4,589,092	4,574,328
Interest received	426,141	349,674	390,461
Income tax paid	(1,045,311)	(1,328,544)	(911,576)
Interest paid - net of amount capitalized	(925,328)	(893,205)	(643,763)
Net cash provided by operating activities	4,188,980	2,717,017	3,409,450
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments	1,340,031	289,899	–
Proceeds from disposal of property and equipment	28,489	69,599	36,541
Additions to:			
Land and improvements	(72,896)	(148,891)	(23,179)
Investments	(2,547,667)	(3,466,896)	(2,121,065)
Property and equipment	(329,228)	(369,449)	(413,143)
Decrease (increase) in:			
Accounts and notes receivable - non-trade	(153,021)	(500,017)	386,227
Other noncurrent assets	(279,916)	16,050	81,770
Net cash used in investing activities	(2,014,208)	(4,109,705)	(2,052,849)

(Forward)

	Years Ended December 31		
	2004	2003	2002
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short and long-term debt	₱2,547,480	₱7,677,764	₱6,740,399
Payment of short and long-term debt	(3,491,991)	(4,170,968)	(6,785,929)
Increase (decrease) in:			
Noncurrent liabilities and deposits	446,984	318,780	21,854
Minority interest in consolidated subsidiaries	383,825	81,709	(122,804)
Proceeds from issuance of capital stock	89,890	50,306	11,289
Dividends paid	(645,693)	(3,423,478)	(2,245,246)
Net cash provided by (used in) financing activities	(669,505)	534,113	(2,380,437)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,505,267	(858,575)	(1,023,836)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,854,920	5,713,495	6,737,331
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱6,360,187	₱4,854,920	₱5,713,495

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Ayala Land, Inc. (the Company) is incorporated in the Republic of the Philippines. The Company's registered office and its principal place of business is at Tower One, Ayala Triangle, Ayala Avenue, Makati City. The Company's parent is Ayala Corporation (AC).

The Company is 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 Company or of other persons; and to engage or act as real estate broker.

The number of employees of the Company and its subsidiaries averaged to 1,315 in 2004 and 1,488 in 2003.

The consolidated financial statements of Ayala Land, Inc. and Subsidiaries for the years ended December 31, 2004 and 2003 were authorized for issue by the Audit Committee and Board of Directors on February 14, 2005.

2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the Philippines using the historical cost basis.

Use of Estimates

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the Philippines which 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 on management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Adoption of New Accounting Standards
On January 1, 2004, the Company and its subsidiaries adopted the following Statements of Financial Accounting Standards (SFAS)/ International Accounting Standards (IAS):

- SFAS 12/IAS 12, *Income Taxes*, prescribes the accounting treatment for current and deferred income taxes. The standard requires the use of a balance sheet liability method in accounting for deferred income taxes. The adoption of SFAS 12/IAS 12 resulted in the reclassification of the current deferred tax assets and liabilities to noncurrent deferred tax assets and liabilities, and in additional disclosures in the consolidated financial statements.

- SFAS 17/IAS 17, *Leases*, which prescribes the accounting policies and disclosures applicable to finance and operating leases. Adoption of this standard has no material effect on the consolidated financial statements. Additional disclosures were made in 2004.

Basis of Consolidation
Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company.

The consolidated financial statements represent the consolidation of the financial statements of the Company and the following wholly owned and majority-owned subsidiaries:

	Effective Percentages of Ownership	
	2004	2003
Real Estate:		
Amorsedia Development Corporation and subsidiaries	100%	100%
OLC Development Corporation	100	100
Ayala Greenfield Development Corporation (AGDC)	50	50
Ayala Land Sales, Inc.	100	100
Buendia Landholdings, Inc.	100	100
Community Innovations, Inc.	100	100
Crimson Field Enterprises, Inc.	100	100
Laguna Properties Holdings, Inc. and subsidiaries	100	100
Regent Time International, Limited (Regent)	100	100
Red Creek Properties, Inc.	100	100
Station Square East Commercial Corporation - formerly Liberty Real Holdings Corporation - (SSECC)	72	80
Aurora Properties Incorporated	70	70
Vesta Property Holdings, Inc.	70	70
Serendra, Inc. - formerly First South Properties, Inc. - (Serendra)	67	100
Ceci Realty, Inc.	62	100
Laguna Technopark, Inc.	61	61
CMPI Holdings, Inc.	60	60
ALI-CII Development Corporation (ALI-CII)	50	50
Roxas Land Corporation (RLC)	50	50
Construction:		
Makati Development Corporation	100	100

(Forward)

	Effective Percentages of Ownership	
	2004	2003
Hotels:		
Ayala Hotels, Inc. (AHI) and subsidiaries	50%	50%
Property Management:		
Ayala Property Management Corporation	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:		
ALInet.com, Inc. (ALInet)	100	100
Ayala Infrastructure Ventures, Inc.	100	100
Food Court Company, Inc.	100	100

AC owns the other 50% of AHI and subsidiaries. The Company exercises control over AHI and subsidiaries. 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 with the accounts of the Company.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions and balances, including intercompany profits and unrealized profits and losses, are eliminated in consolidation.

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

Trade Receivables
Trade receivables are recognized and carried at the original contract price or invoice amount less any unrealized gain, as applicable, and allowance for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

Subdivision Land for Sale and Condominium and Residential Units for Sale
Subdivision land for sale and condominium and residential units for sale are carried at the lower of cost or net realizable value (estimated selling price less cost to complete and sell). Cost includes those costs incurred for development and improvement of the properties, including capitalized borrowing costs.

Land and Improvements
Land and improvements are carried at the lower of aggregate cost or net realizable value. Cost includes those costs incurred for development and improvement of the properties, including capitalized borrowing costs. The aggregate net realizable value on a per location basis is substantially in excess of costs.

Investments
Investments in associates and joint ventures are accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. A joint venture is an entity, not being a subsidiary or an associate, in which the Company exercises joint control together with one or more other partners.

Investments in associates and joint ventures are carried in the consolidated balance sheets at cost plus post-acquisition changes in the Company and its subsidiaries' share in the net assets of the investees, less any impairment in value. The consolidated statements of income reflect the Company and its subsidiaries' share on the results of operations of these investees. Unrealized gains arising from intercompany transactions are eliminated to the extent of the Company and its subsidiaries' interest thereon. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction in the carrying value of the investments.

The Company and its subsidiaries discontinue applying the equity method when their investments in associates are reduced to zero. Accordingly, additional losses are not recognized unless the Company and its subsidiaries have guaranteed certain obligations of the associate. When the associate subsequently reports net income, the Company and its subsidiaries 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 Company's investments in associates include goodwill on acquisition (net of accumulated amortization and any impairment in value). Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of the associate at the date of acquisition. Goodwill is amortized on a straight-line basis over a ten-year period. Goodwill is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company and Regent's acquisition of Bonifacio Land Corporation (BLC) shares (see Note 6) was accounted for using the purchase method. Negative goodwill representing the excess, as at the date of acquisition, of the Company and Regent's interest in the fair value of identifiable net assets of BLC over the cost of acquisition is amortized to income as the underlying lots are sold.

Investments in shares of stock in which the Company and certain subsidiaries do not exercise significant influence and investments in land are carried at cost less any substantial and presumably permanent decline in aggregate carrying value of the related investments.

Investments in real properties consisting of land improvements, buildings and hotel property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. All costs that are directly attributable to the construction of the building and hotel property and equipment are capitalized, including interest during construction period. Amortization and depreciation are computed on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of investments in land improvements, buildings and hotel property and equipment are as follows: land improvements - 5 years; buildings - 20 to 40 years; and, hotel property and equipment - 10 to 50 years.

The cost of significant additions, renewals and betterments are capitalized while minor expenditures for repairs and maintenance are directly charged to operations. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to operations.

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. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets as follows: buildings and improvements - 20 to 40 years; machinery and construction equipment - 5 years; furniture, fixtures and equipment - 3 to 10 years; and, transportation equipment - 3 to 5 years.

The useful life and depreciation and amortization methods are reviewed periodically to ensure that the period of depreciation and amortization and methods are consistent with the expected pattern of economic benefits from items of property and equipment.

Impairment of Assets

An assessment is made at balance sheet date to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization), had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Provisions
Provisions are recognized when the Company and subsidiaries have 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.

Subsequent Events
Post year-end events that provide additional information about the Company and subsidiaries' position at the balance sheet date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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

Revenue and Cost Recognition
Income from sales of substantially completed projects where collectibility of sales price is reasonably assured is accounted for using the full accrual method while income from sales of projects where collectibility of sales price is not reasonably assured is recognized using the installment method. Realized income on installment sales is computed based on collections multiplied by the gross profit rates of individual sales contracts. The percentage of completion method is used to recognize income from sales of projects where the Company and certain subsidiaries have material obligations under the sales contract to complete the project after the property is sold. Under this method, the gain on sale is recognized as the related obligations are fulfilled.

Cost of subdivision land 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 contractors and technical staff of the Company and certain subsidiaries. Cost of condominium and residential units sold before completion of the project is determined based on actual costs and project estimates of building contractors and technical staff. The estimated future expenditures for the development of the sold portion of the subdivision land and condominium and residential units are shown under the "Estimated Liability for Land and Property Development" account in the consolidated balance sheets with the portion expected to be incurred within the succeeding year presented as a current liability.

Revenue from construction contracts of a subsidiary are recognized using the percentage of completion method, measured principally on the basis of the estimated physical completion of the contract work.

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

Rental income from investment properties is recognized in the statements of income either on a straight-line basis over the lease term, or based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract.

Revenue from hotel operations of a subsidiary are recognized when services are rendered. Revenue from banquets and other special events are recognized when the events take place.

Management fees from administrative, property management and other fees are recognized when earned.

Interest is recognized as it accrues.

Stock Option Plans
The Company has stock option plans for the granting of nontransferable options to key officers and employees, whereby they are granted an option to purchase a fixed number of shares of stock at a stated price during a specified period. Options exercised are recorded at the option price.

Retirement Costs
The Company and its subsidiaries determine their retirement costs using the projected unit credit method. The projected unit credit method sees each year of service as giving rise to an additional unit of pension entitlement and values each unit separately to build up a total retirement benefit obligation. Under this method, the annual normal cost for an equal unit of benefit increases each year because the period to the employee's retirement continually shortens, and the probability of reaching retirement increases. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected remaining working lives of the covered employees.

Borrowing Costs
Borrowing costs are generally expensed as incurred. Interest and other financing costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included in "Subdivision land for sale," "Condominium and residential units for sale," "Land and improvements" and "Investments" accounts in the consolidated balance sheets). Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income 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 profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and NOLCO can be utilized.

Deferred income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Foreign Currency Transactions
Transactions in foreign currencies are 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 rates prevailing at balance sheet dates. Exchange gains or losses arising from foreign exchange transactions are credited or charged to operations for the year.

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

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year attributable to common stockholders 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 by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares.

Segments
The Company and subsidiaries' 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 18.

New Accounting Standards Effective in 2005

New accounting standards based on revised IAS and new International Financial Reporting Standards (IFRSs) referred to as Philippine Accounting Standards (PASs) and Philippine Financial Reporting Standards (PFRSs), respectively, will become effective in 2005.

The Company and its subsidiaries will adopt beginning January 1, 2005, the following new accounting standards that are relevant to the Company and its subsidiaries:

- PAS 19, *Employee Benefits*, prescribes the accounting and disclosures by employers for employee benefits, including short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits. For post-employment benefits classified as defined benefit retirement plans, the standard will require the use of projected unit credit method in measuring the retirement benefit expense and will result in change in the manner of computing benefit expense relating to past service cost and actuarial gains and losses. The adoption of PAS 19 will result in recognition of the unfunded defined benefit obligation (see Note 15) which will increase the liabilities in the consolidated financial statements and will be charged against 2005 beginning retained earnings.

- PAS 21, *The Effects of Changes in Foreign Exchange Rates*, will result in the elimination of the capitalization of foreign exchange losses. As of December 31, 2004, the Company's share in the undepreciated capitalized foreign exchange losses included in hotel property and equipment amount to P56.2 million. Upon adoption of PAS 21 in 2005, any undepreciated capitalized foreign exchange losses will be adjusted against beginning retained earnings and prior years' financial statements presented will be restated.

- PAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. The Standard requires more comprehensive disclosures about a company's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used by the company, types of risks associated with both recognized and unrecognized financial instruments (price risk, credit risk, liquidity risk, and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the company's financial risk management policies and objectives. The Standard also requires financial instruments to be classified as either liabilities or equity in accordance with its substance and not its legal form. Disclosures required by PAS 32 will be included upon adoption in 2005.

- PAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for recognizing and measuring a Company's financial assets and financial liabilities. The standard requires a financial asset or financial liability to be recognized initially at fair value. Subsequent to initial recognition, the Company should continue to measure financial assets at their fair values, except for loans and receivables and held-to-maturity investments, which are to be measured at cost or amortized cost using the effective interest rate method. Financial liabilities are subsequently measured at cost or amortized cost, except for liabilities classified as "at fair value through profit and loss" and derivatives, which are subsequently to be measured at fair value. PAS 39 also covers the accounting for derivative instruments. This standard has expanded the definition of a derivative instrument to include derivatives (and derivative-like provisions) embedded in non-derivative contracts. Under the standard, every derivative instrument is recorded in the balance sheet as either an asset or liability measured at its fair value. Derivatives that do not qualify as hedges are adjusted to fair value through income. If a derivative is designated and qualify as a hedge, depending on the nature of the hedging relationship, changes in the fair value of the derivative are either offset against the changes in fair value of the hedged assets, liabilities, and firm commitments through earnings, or recognized in stockholders' equity until the hedged item is recognized in earnings. A company must formally document, designate and assess the hedge effectiveness of derivative transactions that receive hedge accounting treatment. Certain procedures need to be further performed by management to assess the impact of PAS 39.

- PAS 40, *Investment Property*, prescribes the accounting treatment for investment property and related disclosure requirements. This standard permits a company to choose either the fair value model or cost model in accounting for investment property. Fair value model requires an investment property to be measured at fair value with fair value changes recognized directly in the statements of income. Cost model requires that an investment property should be measured at depreciated cost less any accumulated impairment losses. Upon effectivity of PAS 40, the Company and certain subsidiaries will adopt the cost model and will continue to carry their investment properties at depreciated cost less any accumulated impairment losses. Adoption of PAS 40 will result in additional disclosures in the consolidated financial statements.

- PFRS 2, *Share-Based Payments*, sets out the measurement principles and accounting requirements for share-based payment transactions, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. Under this standard, the Company is required to recognize the cost of share options granted after November 7, 2002 in the statements of income. The Company currently does not recognize an expense from share options granted but discloses required information for such options.

  Upon adoption of PFRS 2 in 2005, the estimated cost as of December 31, 2004 of share options issued to the employees will be adjusted against 2005 beginning retained earnings with a credit to additional paid in capital and prior years' consolidated financial statements presented will be restated.

- PFRS 3, *Business Combination*, which will result in the cessation of the amortization of goodwill and a requirement for an annual test for goodwill impairment. Any resulting negative goodwill after performing reassessment will be credited to income. Moreover, pooling of interests in accounting for business combination will no longer be permitted. Upon adoption of PFRS 3 in 2005, goodwill on investments in shares will no longer be amortized, and the Company's share on the negative goodwill relating to the acquisition of BLC shares amounting to ₱693.3 million (see Note 6) will be adjusted against beginning retained earnings and prior years' consolidated financial statements will be restated.

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and the depreciation on such assets to cease. Furthermore, assets that meet the criteria to be classified as held for sale should be presented separately on the face of the balance sheet and the results of discontinued operations to be presented separately in the statements of income. The adoption of PFRS 5 will not have an effect in the consolidated financial statements.

The Company and its subsidiaries will also adopt in 2005 the following revised standards:

- PAS 1 (revised 2003), *Presentation of Financial Statements*, provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; provides the base criteria for classifying liabilities as current or noncurrent; prohibits the presentation of income from operating activities and extraordinary items as separate line items in statement of income; and specifies the disclosures about key sources of estimation, uncertainty and judgments management has made in the process of applying the entity's accounting policies. It also requires changes in the presentation of minority interest in the balance sheet and statement of income. The adoption of PAS 1 would result in additional disclosures and presentation changes in the consolidated financial statements.

- PAS 8 (revised 2003), *Accounting Policies, Changes in Accounting Estimates and Errors*, removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omission or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting error. The adoption of PAS 8 will not have a material effect on the consolidated financial statements.

- PAS 10 (revised 2003), *Events After the Balance Sheet Date*, provides a limited clarification of the accounting for dividends declared after the balance sheet date. The adoption of PAS 10 will not have a material effect on the consolidated financial statements.

- PAS 16 (revised 2003), *Property, Plant and Equipment*, provides additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It also provides that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The adoption of PAS 16 will not have a material effect on the consolidated financial statements.

- PAS 17 (revised 2003), *Leases*, provides a limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of the lessors. The adoption of PAS 17 will not have a material effect on the consolidated financial statements.

- PAS 24 (revised 2003), *Related Party Disclosures*, provides additional guidance and clarity in the scope of the Standard, the definitions and disclosures for related parties. It also requires disclosure of the compensation of key management personnel by benefit type. The adoption of PAS 24 will result in additional disclosures in the consolidated financial statements.

- PAS 27 (revised 2003), *Consolidated and Separate Financial Statements*, reduces alternatives in accounting for subsidiaries in consolidated financial statements and in accounting for investments in the separate financial statements of a parent, venturer or investor. Investments in subsidiaries will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the parent to make appropriate adjustments to the subsidiary's financial statements to conform them to the parent's accounting policies for reporting like transactions and other events in similar circumstances. The adoption of PAS 27 will not have a material effect on the consolidated financial statements.

- PAS 28 (revised 2003), *Investments in Associates*, reduces alternatives in accounting for associates in consolidated financial statements and in accounting for investments in the separate financial statements of an investor. Investments in associates will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. This standard also requires strict compliance with adoption of uniform accounting policies and requires the investor to make appropriate adjustments to the associate's financial statements to conform them to the investor's accounting policies for reporting like transactions and other events in similar circumstances. The adoption of PAS 28 will not have a material effect on the consolidated financial statements.

- PAS 31 (revised 2003), *Interests in Joint Ventures*, reduces the alternatives in accounting for interests in joint ventures in consolidated financial statements and in accounting for investments in the separate financial statements of a venturer. Interests in joint ventures will be accounted for either at cost or in accordance with PAS 39 in the separate financial statements. Equity method of accounting will no longer be allowed in the separate financial statements. The adoption of PAS 31 will not have a material effect on the consolidated financial statements.

3. Cash and Cash Equivalents

This account consists of:

	2004	2003
	(In Thousands)	
Cash on hand and in banks	₱719,747	₱1,389,378
Short-term investments	5,640,440	3,465,542
	₱6,360,187	₱4,854,920

Cash in banks earns interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Company and its subsidiaries, and earn interest at the respective short-term investment rates.

4. Accounts and Notes Receivable

Accounts and notes receivable are summarized as follows:

	2004	2003
	(In Thousands)	
Trade - net of unrealized gain of ₱3,084,583 in 2004 and ₱1,476,038 in 2003 (see Note 9)	₱10,583,797	₱7,384,541
Related parties (see Note 14)	1,015,773	934,002
Advances	1,189,631	1,107,563
Advances to contractors	452,068	195,346
Accrued receivable	168,022	248,215
Dividends receivable	110,263	71,488
Others	498,467	158,802
	14,018,021	10,099,957
Less allowance for doubtful accounts	122,228	134,928
	13,895,793	9,965,029
Less noncurrent portion	6,444,706	5,458,708
	₱7,451,087	₱4,506,321

5. Other Current Assets

This account consists of:

	2004	2003
	(In Thousands)	
Prepaid expenses	₱445,573	₱138,188
Value-added input tax	369,229	64,535
Others	239,295	377,491
	₱1,054,097	₱580,214

6. Investments

This account consists of investments in:

	2004	2003
	(In Thousands)	
Shares of stock:		
At equity:		
Acquisition cost	₱5,409,982	₱5,181,183
Accumulated equity in net earnings:		
Balance at beginning of year	707,338	597,381
Equity in net earnings during the year	295,941	128,417
Disposal of equity investment	(396,379)	–
Dividends received during the year	(19,035)	(18,460)
Balance at end of year	587,865	707,338
	5,997,847	5,888,521

(Forward)

	2004	2003
	(In Thousands)	
At cost:		
MRT Holdings, Inc.	₱855,702	₱855,702
Others	617,010	881,505
	1,472,712	1,737,207
	7,470,559	7,625,728
Land and improvements - net of amortization	4,669,990	2,443,257
Buildings and improvements - net of accumulated depreciation and amortization of ₱3,107,730 in 2004 and ₱2,731,582 in 2003	10,515,325	9,231,624
Hotel property and equipment - net of accumulated depreciation of ₱1,521,318 in 2004 and ₱1,362,857 in 2003 (see Note 9)	3,279,569	3,411,690
	₱25,935,443	₱22,712,299

The Company and its subsidiaries' equity in the net assets of associates and joint ventures and the related percentages of ownership are shown below.

	Percentages of Ownership		Equity in Net Assets	
	2004	2003	2004	2003
			(In Thousands)	
Cebu Holdings, Inc. (CHI) and subsidiaries	47	47	₱1,657,537	₱1,622,079
Emerging City Holdings, Inc. (ECHI)	50	50	1,667,735	1,564,576
Pilipinas Makro, Inc. (PMI)	–	28	–	1,125,720
North Triangle Depot Commercial orporation (NTDCC)	49	16	1,014,884	–
Berkshires Holdings, Inc. (BHI)	50	50	714,740	670,527
Alabang Commercial Corporation (ACC)	50	50	471,702	444,667
BLC (through Regent)	4	4	390,270	378,273
Lagoon Development Corporation	30	30	70,418	77,717
MyAyala.com, Inc.	50	50	2,626	4,962
Ayala Port, Inc. (Ayala Port)	50	50	7,935	–
			₱5,997,847	₱5,888,521

On April 17, 2003, the following transactions have been consummated pursuant to the terms and conditions of the Assignment 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 Corporation (MPC) as amended:

(a) The assignment to the Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US$90 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.) of the controlling interest in BLC representing 50.38% of BLC's outstanding capital stock. This assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655 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 Assignment 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 now jointly hold the 50.38% (56.19% beneficial interest) equity interest in BLC through ECHI and BHI. The Company and EHI assigned the notes receivable from MPC to ECHI and BHI, which acquired the shares of stock of Columbus Holdings, Inc. (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. The fair value of the identifiable consolidated assets and liabilities of BLC as at April 17, 2003, the date of acquisition, amounted to about ₱5.6 billion resulting in a negative goodwill of ₱1.4 billion. Columbus' amortization of negative goodwill based on FBDC lots sold amounted to ₱92.2 million and ₱27.4 million in 2004 and 2003, respectively, of which the Company shares 50% through its equity share in the net earnings of ECHI and BHI.

Regent also owns 3.9% of BLC shares which it accounted for using the equity method. Regent's negative goodwill arising from the acquisition amounted to ₱57.6 million. Negative goodwill amortization amounted to ₱3.4 million in 2004 and ₱1.1 million in 2003.

In 2004, the Company acquired additional 30.89% interest in NTDCC in exchange for the Company's interest in two companies valued at ₱320.1 million and cash amounting to ₱280.0 million. The Company infused additional cash to NTDCC amounting to ₱112.0 million for an additional 1.85% equity interest in the latter.

NTDCC was granted development rights by MRT Development Co. to construct and operate a commercial center under certain terms and conditions until the end of a 50-year lease term renewable for another 25 years.

The Company divested its equity shareholdings in PMI in 2004.

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.

Consolidated depreciation on buildings and improvements amounted to ₱417.6 million in 2004, ₱314.2 million in 2003 and ₱330.0 million in 2002. Consolidated depreciation on hotel property and equipment amounted to ₱169.7 million in 2004, ₱179.4 million in 2003 and ₱206.6 million in 2002. Consolidated amortization of land improvements amounted to ₱8.9 million in 2004, ₱13.4 million in 2003 and ₱16.2 million in 2002.

7. Property and Equipment

This account consists of:

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	2004 Total	2003
			(In Thousands)			
Cost						
January 1	₱920,567	₱952,485	₱615,173	₱252,298	₱2,740,523	₱2,495,578
Additions	38,217	157,447	71,677	61,887	329,228	369,449
Disposals	(45,311)	(27,002)	(13,271)	(41,447)	(127,031)	(124,504)
December 31	913,473	1,082,930	673,579	272,738	2,942,720	2,740,523
Accumulated Depreciation and Amortization						
January 1	186,382	463,517	423,094	153,008	1,226,001	1,001,188
Depreciation	40,333	97,570	127,386	48,831	314,120	279,718
Disposals	(30,833)	(25,075)	(5,234)	(36,843)	(97,985)	(54,905)
December 31	195,882	536,012	545,246	164,996	1,442,136	1,226,001
Net Book Value	₱717,591	₱546,918	₱128,333	₱107,742	₱1,500,584	₱1,514,522

Consolidated depreciation and amortization of property and equipment (charged to various accounts) amounted to ₱314.1 million in 2004, ₱279.7 million in 2003 and ₱240.6 million in 2002.

8. Accounts Payable and Accrued Expenses

This account consists of:

	2004	2003
	(In Thousands)	
Accounts payable and accrued expenses	₱4,411,035	₱3,308,771
Taxes payable	990,373	370,195
Dividends payable	325,480	322,875
Retentions payable	11,853	21,634
	₱5,738,741	₱4,023,475

9. Short-term and Long-term Debt

In 2004 and 2003, short-term debt consists of bank loans and short-term commercial papers (STCPs).

The Company issued STCPs in 2004 with an aggregate face value of ₱814.8 million at par with fixed and floating interest rates. The STCPs are payable lump sum at various maturity dates in 2005. The fixed-rate STCPs bear interest at 10.25% per annum (p.a.) while the floating STCPs bear interest at 50 basis points (bps) over the benchmark MART1 rate and are repriceable every three months.

STCPs in 2003 had an aggregate face value of ₱1.0 billion at par with fixed and floating interest rates. The STCPs are payable lump sum at various maturity dates in 2004. The fixed-rate STCPs bear interest at 8.20% and 8.59% p.a. while the floating STCPs bear interest at 25 bps over the benchmark 91-day rate and are repriceable every three months.

The Philippine Rating Service Corporation (PhilRatings) assigned a PRS 1 rating on the STCPs issued in 2004 and 2003, indicating the Company's strong capacity to meet its financial commitment on these issuances.

The bank loans of ₱722.0 million in 2004 and ₱457.0 million in 2003 represent unsecured peso-denominated short-term borrowings by the Company's subsidiaries with interest rates ranging from 7.2% to 9.7% p.a in 2004 and 5.75% and 10.75% p.a. in 2003. The ₱400.0 million loan drawn by the Company in 2004 is secured by a mortgage on certain parcels of land with a carrying value of ₱10.3 million. The ₱50.0 million loan drawn by a subsidiary in 2003 from an affiliate bank is subject to the Directors, Officers, Stockholders and Related Interest rules of the Bangko Sentral ng Pilipinas.

Long-term debt consists of:

	2004	2003
	(In Thousands)	
Parent Company:		
Bonds		
Due 2007	₱3,000,000	₱3,000,000
Due 2008	2,000,000	2,000,000
Bank loans - with interest rates ranging from 7.5% to 11.4% p.a.	1,683,333	3,358,333
Fixed rate corporate notes (FXCNs)	1,060,000	1,060,000
	7,743,333	9,418,333
Subsidiaries:		
Bank loans - with interest rates ranging from 8.0% to 12.0% p.a.		
Philippine peso	3,049,057	2,585,457
Foreign currency	707,643	920,504
	3,756,700	3,505,961
	11,500,033	12,924,294
Less current portion	1,110,738	1,335,995
	₱10,389,295	₱11,588,299

In 2002, the Company issued ₱3.0 billion bonds due in 2007 at par, with interest at 200 bps over benchmark 91-day T-Bills based on secondary market bids (MART 1).

In 2003, the Company issued ₱2.0 billion bonds due in 2008 with fixed and floating rate tranches. The fixed-rate bonds carry a coupon of 10.75% p.a. and have a nominal principal amount of ₱1.0 billion. The floating rate bonds, also worth ₱1.0 billion, bear a margin of 125 bps over benchmark 91-day T-Bills based on secondary market bids (MART 1) and is re-priced quarterly.

PhilRatings assigned a PRS Aaa rating on both the Company's ₱2.0 billion bond issue in 2003 and the ₱3.0 billion bond issue in 2002, indicating the Company's strong capacity to meet its financial commitment on the bond issues.

The Company's long-term bank loans will mature on various dates up to 2008. These borrowings are unsecured except for a ₱594.2 million loan drawn by the Company in 2003, which is secured by a mortgage on certain parcels of land with a carrying value of ₱10.3 million as of 2004.

The FXCNs consist of 3-, 5-, 7- and 10-year notes issued to various financial institutions and will mature on various dates up to 2012. The FXCNs bear fixed interest rates ranging from 11.875% to 14.875% depending on the term of the loan. The Company may redeem all (but not part only) of the FXCNs on the 2nd, 3rd, 4th and 7th anniversaries, respectively, of the 3-, 5-, 7- and 10-year FXCNs.

The subsidiaries' loans will mature on various dates up to 2011. Certain subsidiaries' loans are collateralized by trade receivables amounting to ₱52.3 million in 2003; and mortgages on real estate properties, hotel property and equipment and leasehold rights with a total carrying value of ₱3.0 billion and ₱3.2 billion as of 2004 and 2003, respectively.

The Company pledged its investment in shares of stock of SSECC with a carrying value of ₱1.4 billion and ₱1.1 billion as of 2004 and 2003, respectively, as collateral to secure the latter's bank loans.

The loan agreements contain some or all of the following restrictions: material changes in nature of business; payment of dividends; merger or consolidation; guaranties, investments or advances; encumbrance for borrowed money; sale of substantially all of assets and additional loans maturing beyond a year, except under certain conditions. These restrictions and requirements were complied with by the Company and its subsidiaries.

Interest capitalized amounted to ₱533.2 million in 2004, ₱333.4 million in 2003 and ₱288.4 million in 2002. The capitalization rates used in 2004, 2003 and 2002 ranged from 9.60 to 12.65%.

10. Noncurrent Liabilities and Deposits

Noncurrent liabilities and deposits consist of:

	2004	2003
	(In Thousands)	
Deposits	₱2,367,935	₱2,097,751
Retentions payable	479,930	411,349
Other liabilities	269,851	161,632
	₱3,117,716	₱2,670,732

11. Stockholders' Equity

The details of the number of shares (in thousands) follow:

	2004	2003	2002
Authorized	12,000,000	12,000,000	12,000,000
Issued	10,774,189	10,760,802	10,691,879
Subscribed	1,181	1,728	1,842
Treasury	(24)	(24)	(24)
	10,775,346	10,762,506	10,693,697

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.

In 2004, the Board of Directors (BOD) approved the declaration and payment from unappropriated retained earnings of cash dividend of ₱0.06 per share.

In 2003, the BOD approved the issuance of 63.4 million new common shares to AC in exchange for land at a transfer price of ₱532.3 million recorded under the investments account in the consolidated balance sheets.

Retained earnings include undistributed net earnings amounting to ₱4,431.1 million, ₱3,908.7 million, and ₱3,300.1 million as of December 31, 2004, 2003 and 2002, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures, which are not available for dividend declaration until received in the form of dividends from the investees.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of the shares held in treasury.

12. Costs and Expenses

Depreciation and amortization expense included in consolidated statements of income are as follows:

	2004	2003	2002
		(In Thousands)	
Included in:			
Cost of:			
Real estate	₱565,915	₱457,473	₱430,801
Hotel operations	169,741	179,389	206,648
General and administrative expenses	201,809	164,815	172,854
	₱937,465	₱801,677	₱810,303

General and administrative expenses consists of:

	2004	2003	2002
		(In Thousands)	
Manpower cost (see Note 15)	₱1,201,631	₱857,011	₱733,985
Depreciation and amortization	201,809	164,815	172,854
Utilities	74,290	62,920	58,031
Others	622,477	455,764	348,670
	₱2,100,207	₱1,540,510	₱1,313,540

Interest expense on short and long-term debt amounted to ₱917.0 million, ₱878.9 million and ₱685.1 million in 2004, 2003, and 2002, respectively.

13. Income Taxes

Components of the deferred tax assets and liabilities as of December 31, 2004 and 2003 are as follows:

	2004	2003
	(In Thousands)	
Deferred tax assets on:		
Unrealized gain, deposits and accruals for various expenses on real estate transactions	₱378,288	₱382,711
Allowance for probable losses	133,550	86,296
NOLCO	69,037	92,141
MCIT	23,538	32,942
Others	45,065	62,734
	649,478	656,824

(Forward)

	2004	2003
	(In Thousands)	
Deferred tax liabilities on:		
Capitalized customs duties, interest and other expenses	(₱664,810)	(₱587,078)
Excess of financial realized gross profit over taxable realized gross profit	(217,024)	(160,002)
Unrealized foreign exchange gain	(48,725)	(36,972)
	(930,559)	(784,052)
	(₱281,081)	(₱127,228)

Certain subsidiaries of the Company have NOLCO amounting to ₱813.1 million and ₱626.2 million as of December 31, 2004 and 2003, respectively, which were not recognized. Further, a subsidiary also has deductible temporary differences arising from unrealized gain on real estate sales amounting to ₱153.3 million and ₱113.8 million as of December 31, 2004 and 2003, respectively, which were also 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 assets 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, 2004, carryover NOLCO and MCIT (incurred in 2002 to 2004 and expires in 2005 to 2007) that can be claimed as deduction from future taxable income or used as deductions against income tax liabilities are as follows:

Year Incurred	Expiry Date	NOLCO	MCIT
		(In Thousands)	
2002	2005	₱357,512	₱2,841
2003	2006	90,245	19,877
2004	2007	581,084	820
		₱1,028,841	₱23,538

At December 31, 2004 and 2003, deferred income tax liabilities have not been recognized on the undistributed earnings of certain subsidiaries, associate or joint venture since such amounts are not taxable.

There are no income tax consequences attaching the payment of dividends by the Company and its subsidiaries to the shareholders of the Company.

Provision for income tax consists of:

	2004	2003	2002
		(In Thousands)	
Current	₱1,098,673	₱902,370	₱1,107,787
Deferred	153,853	(109,268)	17,491
	₱1,252,526	₱793,102	₱1,125,278

A reconciliation between the statutory and the effective income tax rates follows:

	2004	2003	2002
Statutory income tax rate	**32.00%**	32.00%	32.00%
Tax effect of:			
Equity in net earnings of investees	**(2.25)**	(1.15)	(0.32)
Income subjected to lower income tax rates (see Note 20)	**(1.00)**	(0.74)	(0.60)
Interest income and capital gains taxed at lower rates	**(2.70)**	(3.16)	(1.58)
Others - net	**3.75**	(4.84)	1.19
Effective income tax rate	**29.80%**	22.11%	30.69%

14. 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 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 at normal market prices.

Revenue from transactions with associates and other related parties amounted to ₱306.3million in 2004, ₱149.1 million in 2003 and ₱230.4 million in 2002.

The following are the outstanding balances of receivables from related parties resulting from the above transactions, as of December 31, 2004 and 2003 (see Note 4).

	2004	2003
	(In Thousands)	
BLC	**₱639,381**	₱505,754
FBDC	**173,413**	243,777
CHI and subsidiaries	**94,407**	78,876
Manila Water Company, Inc.	**58,887**	18,333
Ayalaport Makati, Inc.	**12,593**	24,606
ACC	**11,433**	13,226
MyAyala.com, Inc.	**8,880**	8,878
Others	**16,779**	40,552
	₱1,015,773	₱934,002

Receivables from BLC and FBDC consist of promissory notes issued by BLC, which were assigned by MPC to the Company and EHI; the advances subsequently made by the Company to FBDC to fund the completion of the Bonifacio Ridge project and to BLC to finance the costs to be incurred in relation to its restructuring program. These notes and advances are due and demandable and bear interest at the rate of 12% to 14% per annum.

15. Retirement Plan

The Company and its subsidiaries have funded, noncontributory tax-qualified defined benefit type of retirement plans covering substantially all of their employees. The benefits are based on defined contribution formula with minimum lump-sum guarantee of 1.5 months' basic salary per year of service. The consolidated retirement costs charged to operations amounted to ₱335.1 million in 2004, ₱118.9 million in 2003 and ₱76.8 million in 2002.

Based on the latest actuarial valuations of the Company and its subsidiaries, the aggregate actuarial present value of pension benefits amounted to ₱1,034.65 million. The aggregate fair value of their respective plan assets amounted to ₱522.07 million. The principal actuarial assumptions used to determine the cost of pension benefits with respect to the discount rate, salary increases and return on plan assets were based on historical and projected normal rates. Actuarial valuations are made at least every one to three years. The Company's and its subsidiaries' 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.

16. Earnings Per Share

The following table presents information necessary to compute EPS (in thousands except EPS):

	2004	2003	2002
Net income	**₱3,008,472**	₱2,709,155	₱2,518,515
Weighted average number of common shares for basic EPS	**10,766,243**	10,706,701	10,693,608
Dilutive shares arising from stock options	**26,510**	26,424	7,074
Adjusted weighted average number of common shares for diluted EPS	**10,792,753**	10,733,125	10,700,682
Basic EPS	**₱0.28**	₱0.25	₱0.24
Diluted EPS	**₱0.28**	₱0.25	₱0.24

17. Stock Option Plans

The Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (Employee Stock Ownership Plan - 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 qualified officers and employees may exercise in whole or in part his vested option in accordance with the vesting percentage and vesting schedule stated in the plan. Also, to exercise the vested option, the officers and employees are required to continue employment with the Company or any of its subsidiaries for the 10 year option period. In case the officer resigns, he is given 90 days to exercise his vested options, and, if the officer retires, he is given 3 years to exercise his vested and unvested option. In case the employee resigns and has met the 5-year holding period, he is given an option to fully pay the remaining unpaid balance of the subscribed shares or terminate in full the subscribed shares. If the 5-year holding period is not met, the subscribed shares will be cancelled and all payments made by the employee will be refunded to him. Stock dividends accruing from the original subscribed shares, if any, will be given to the employee.

Subscriptions receivable from the stock option plans are presented in the statements of changes in stockholders' equity.

In November 2001, the Company offered all its ESOWN subscribers with outstanding subscriptions the option to cancel the subscriptions within the 5-year holding period. In December 2001, the program for ESOWN was indefinitely suspended.

Movements in the number of stock options outstanding are as follows:

	ESOP		ESOWN	
	2004	2003	2004	2003
At January 1	116,756,618	100,680,653	2,141,100	2,141,100
Granted	30,501,923	37,592,500	–	–
Exercised	(39,680,027)	(21,402,256)	–	–
Cancelled	–	(114,279)	–	–
At December 31	107,578,514	116,756,618	2,141,100	2,141,100

The options that have been exercised had a weighted average exercise price of ₱4.48 or about ₱173.3 million in 2004 and ₱4.17 or about ₱88.6 million in 2003. The average fair market value of the shares as at exercise date was ₱6.50 or about ₱256.4 million in 2004 and ₱6.36 or about ₱135.5 million in 2003.

Outstanding options for the executives and key officers have the following terms:

Exercise Dates	Number of Options
2002 to 2011	8,109,559
2003 to 2012	17,511,871
2004 to 2013	25,945,821
2005 to 2014	29,241,577
2006 to 2015	17,619,109
2007 to 2016	9,150,577
	107,578,514

18. Segment Information

The industry segments where the Company and its subsidiaries and associates operate are as follows:

- Land, condominium and residential units - development and sale of lots for residential, business and industrial purposes, development of residential and office condominium projects and single-detached housing for high-end, middle income and low income markets;
- Rentals - development of commercial centers and lease to third parties of retail space and land therein; operation of movie theaters, food courts and entertainment facilities in these commercial centers; office units and carparks leasing;
- Hotel operations - development and operation of hotels and serviced apartments;
- Construction - engineering, design and construction of vertical and horizontal developments;
- Others - management services contracts and other investment activities

The Company and its subsidiaries and associates generally accounts for inter-segment rates 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, 2004 and 2003 and revenues and income information for each of the three years in the period ended December 31, 2004 (in thousands).

2004

	Land, Condominium and Residential Units	Rentals	Hotel Operations	Construction	Others	Total
Revenue	₱9,567,725	₱3,937,667	₱1,549,217	₱989,115	₱2,083,067	₱18,126,791
Operating expenses	7,631,993	1,142,267	1,184,097	733,132	966,854	11,658,343
Earnings before interest taxes, depreciation and amortization (EBITDA)	1,935,732	2,795,400	365,120	255,983	1,116,213	6,468,448
Depreciation and amortization	68,595	367,252	177,080	91,846	32,692	937,465
EBIT	₱1,867,137	₱2,288,148	₱188,040	₱164,137	₱1,083,521	₱5,530,983
Segment assets	₱36,051,822	₱18,332,652	₱4,227,844	₱1,281,627	₱12,803,192	₱72,699,127
Deferred tax assets						649,478
Total assets						₱73,348,605
Segment additions in property and equipment	₱98,003	₱50,539	₱658	₱133,474	₱86,775	₱369,449
Segment liabilities	₱13,556,558	₱4,741,101	₱3,455,774	₱854,108	₱12,085,050	₱34,692,591
Deferred tax liabilities						930,559
Total liabilities						₱35,623,150

2003

	Land, Condominium and Residential Units	Rentals	Hotel Operations	Construction	Others	Total
Revenue	₱7,253,900	₱3,589,669	₱1,282,335	₱759,112	₱1,738,927	₱14,623,932
Operating expenses	5,553,322	1,103,412	926,663	589,262	545,339	8,717,088
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,700,577	2,486,257	355,672	169,850	1,193,588	5,905,944
Depreciation and amortization	67,308	403,546	186,470	72,713	71,640	801,677
EBIT	₱1,633,269	₱2,082,711	₱169,202	₱97,137	₱1,121,948	₱5,104,267
Segment assets	₱31,428,496	₱15,232,374	₱4,336,504	₱1,261,527	₱14,096,327	₱66,355,228
Deferred tax assets						656,824
Total Assets						₱67,012,052
Segment additions to property and equipment	₱89,792	₱18,306	₱1,634	₱101,656	₱117,840	₱329,228
Segment liabilities	₱10,030,591	₱3,434,089	₱3,179,197	₱984,413	₱13,326,439	₱30,954,729
Deferred tax liabilities						784,052
						₱31,738,781

2002

	Land, Condominium and Residential Units	Rentals	Hotel Operations	Construction	Others	Total
Revenue	₱5,608,105	₱3,329,626	₱1,308,957	₱922,326	₱1,045,119	₱12,214,133
Operating expenses	4,149,660	823,869	904,557	715,318	448,825	7,042,229
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,458,445	2,505,757	404,400	207,008	596,294	5,171,904
Depreciation and amortization	50,409	432,755	213,862	56,213	57,064	810,303
EBIT	₱1,408,036	₱2,073,002	₱190,538	₱150,795	₱539,230	₱4,361,601

19. Note to Consolidated Statements of Cash Flows

The principal noncash transactions of the Company in 2003 are as follows:

- Issuance of shares to AC in exchange for land at a transfer price of ₱532.3 million (see Note 11).
- Assignment of ₱2.1 billion notes receivable from MPC in exchange for equity in ECHI and BHI (see Note 6).

20. Registration with Philippine Economic Zone Authority (PEZA)

A subsidiary 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 shall pay 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.

21. Leases

The Company and some of its subsidiaries enter into lease agreements with third parties covering retail space and land therein and office units. These leases have terms ranging from 1 to 25 years and generally provides for either (a) fixed monthly rent, or (b) minimum rent or a certain percentage of gross revenue, whichever is higher. All leases include a clause to enable upward revision on its rental charge on annual basis based on prevailing market conditions.

22. Long-term Commitments and Contingencies

The Company has an existing contract with the 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, the Company obtained surety bonds to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement. The surety bonds are secured by a mortgage on a property of certain subsidiary with a carrying value of ₱48.6 million in 2004.

Future minimum rental payables under the non-cancellable operating lease with BCDA as of December 31, 2004 are as follows: within one year - ₱106.5 million as of 2004 and 2003; after one year but not more than 5 years - ₱425.9 million as of 2004 and 2003; and, after more than 5 years - ₱1,703.7 million as of 2004 and ₱1,810.2 million as of 2003. Contingent rentals charged to operations amounted to ₱9.4 million in 2004.

On April 15, 2003, the Company entered into a Joint Development Agreement (JDA) with BCDA for development of another lot inside Fort Bonifacio with a gross area of 11.6 hectares for residential purposes. Pursuant to the agreement, BCDA shall contribute all its title and interest to the lot and the Company in turn shall provide the necessary cash and expertise to undertake and complete the implementation of the residential development. The Company commits to invest sufficient capital to complete the residential development.

The Company procured a surety bond with a face value of ₱122.9 million issued by an insurance company in favor and for the benefit of BCDA as beneficiary. The surety bond shall be continuing in nature and shall secure the obligation of the Company to pay BCDA annual minimum revenue share for each of the first 8 selling periods of the residential project.

On March 24, 2004, the Company assigned in favor of Serendra all of its development rights and interest under the JDA, as amended.

In 2002, the Company agreed to underwrite the subscription to North Triangle Depot Commercial Corporation (NTDCC) additional shares amounting to ₱1.4 billion over a 4-year equity schedule up to 2007 in exchange for a 5% underwriting fee (net of a 1.5% rebate to existing shareholders who subscribed).

The Company and its subsidiaries have 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 of the Company and its subsidiaries' financial position and results of operations. The information usually required by SFAS 37/IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made during the year.