

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

- 1. **February 13, 2006**
Date of Report (Date of earliest event reported)
- 2. **152747**
SEC Identification Number
- 3. **050-000-153-790**
BIR Tax Identification Number
- 4. **AYALA LAND, INC.**
Exact Name of registrant as specified in its charter
- 5. **MAKATI CITY, PHILIPPINES**
Province, country or other jurisdiction of incorporation
- 6. (SEC Use Only)
Industry Classification Code
- 7. **29/F, Tower One, Ayala Triangle, Ayala Avenue, Makati City**
Address of principal office
- 1226**
Postal code
- 8. **848-5313**
Registrant's telephone number, including area code
- 9. **Not Applicable**
Former name or former address, if changed since last report
- 10. Securities registered pursuant to Sections 4 and 8 of the SRC

As of December 31, 2005

Title of Each Class	Number of Shares of Common Stock Outstanding	Amount of Debt Outstanding
COMMON SHARES	10,795,524,873	P 10.7 Billion

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

Re: 2005 Unaudited Consolidated Financial Results

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

AYALA LAND, INC.
Registrant

original copy signed

Date : **February 13, 2006**

JAIME E. YSMAEL
Senior Vice President and CFO

February 13, 2006

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Mandaluyong City

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

PHILIPPINE STOCK EXCHANGE

4/F PSE Center, Exchange Road
Ortigas Center, Pasig City

Attention: **Ms. Jurisita M. Quintos**
Senior Vice President
Disclosure Department

Gentlemen:

We submit herewith Ayala Land's unaudited consolidated financial results for the year ended December 31, 2005.

Results of Operations

Ayala Land delivered strong results in 2005, amidst the challenges faced by the real estate industry. Consolidated revenues of P22.06 billion were 22% higher than the P18.08 billion registered in 2004, due to improved performance across most business lines.

"Our record performance in 2005 reflects concerted efforts to strengthen the fundamentals of our businesses and more actively manage our portfolio. We are confident that these continuing initiatives will ensure sustained, profitable growth for the Company over the long haul," announced Jaime I. Ayala, President and Chief Executive Officer.

Revenue growth resulted from the steady expansion of the shopping center portfolio and sustained momentum of residential sales. Revenues from these two businesses increased by 22% and 10% and accounted for 16% and 43% of total, respectively.

Proceeds from the sale of the Company's interest in preferred redeemable shares of Astoria Investment Ventures, Inc. (AIVI), the holding company for its investment in MRT Holdings, Inc., amounted to P3.53 billion and further boosted revenues.

Net income amounted to P3.62 billion, 21% higher than the previous year, due to higher revenues and the P2.28 billion net gain from the AIVI transaction, offset by provisions and write-offs of P1.82 billion. It will be noted that the 2004 net income has been restated to P2.99 billion (from P3.01 billion) in order to reflect the impact of adjustments related to the adoption in 2005 of certain Philippine Accounting Standards (PAS) and Philippine Financial Reporting Standards (PFRS).

Excluding the AIVI transaction and provisions and write-offs, net income from regular operations amounted to P3.16 billion, a growth of 12%. With the net gain from the AIVI transaction, but before provisions and write-offs, net income registered at P5.44 billion, 82% higher than comparable 2004 net income.

Revenues

The Company's five core business lines, consisting of shopping centers, corporate business, residential developments, Visayas-Mindanao, and the newly-created Strategic Landbank Management, contributed P14.31 billion in revenues or 65% of total. Revenues from support businesses, consisting of construction, hotels, property management and waterworks, amounted to P3.55 billion, accounting for 16% of total. The remaining balance of P4.20 billion represents interest and investment income, equity in net earnings and other income, the bulk of which are proceeds from the divestment of non-core assets.

Residential Developments

Revenues from residential developments grew by 10% to P9.48 billion and contributed 43% to total revenues. Revenues were derived from sales and financing income of four residential operating units, as well as management and marketing fees from projects covered by joint development agreements.

Of the P9.48 billion, more than half of residential revenues were generated by Ayala Land Premier, which caters to the traditional high-end customers. Sales from middle-income market are also on the rise. Revenues from the sale of upper mid-income housing products of Community Innovations and affordable housing units of Avida Land grew by 75% and 12%, respectively.

Booked sales totaled 3,525 units, 20% higher than the previous year sales of 2,941 units. The increase largely consists of the sale of lots and club shares of 320-hectare Anvaya Cove in Bataan, the initial project of the Leisure group.

High-end residential. A total of P5.00 billion was generated from the sale of lots and units by newly-formed Ayala Land Premier which caters to high-end customers. Booked sales consist of 480 residential lots, mostly from Ayala Westgrove Heights, Ayala Greenfield Estates and Sonera, and 359 residential units, mostly from The Residences at Greenbelt (San Lorenzo Tower) and Serendra District 1.

As construction progresses, the two condominium projects in Makati and Bonifacio Global City continue to experience good take-up. As of year-end, 73% of total 486 units at Serendra District 1 had been taken up. With respect to the Residences at Greenbelt, Laguna Tower's 249 units had a 94% take-up while 54% of the 383 units at San Lorenzo Tower launched in May were taken up.

Leisure. Anvaya Cove, Ayala Land's first high-end seaside residential community in Bataan, was well received by the market. Six months after launch in July 2005, the project had a take up rate of 111 or 47% of 237 residential lots and 558 or 23% of 2,450 club shares which were offered in two tranches. The second tranche of club shares was put on the market with a 6% price increase in August, two months after initial offering in July.

Despite brisk sales, revenues amounted to only P173 million due to minimal construction accomplishment.

Development and sales activities are proceeding as planned. In January 2006, 17 villa units priced at P20 million to P25 million were offered for sale.

Upper-mid income housing. Community Innovations' (CII) revenue contribution of P2.15 billion grew by 75% from the previous year. The rapid rise in revenues from P508 million in its first nine months of operation in 2002 attest to its successful penetration of the upper mid-income market.

Bookings of CII decreased to 575 units from 637 in 2004 given the timing of project launches towards the end of the year. The bulk of booked units were from Serendra District 2 and The Columns at Ayala Avenue, which were almost sold out at year-end.

Despite the 10% decline in bookings, revenue growth was strong due to construction accomplishments at Serendra and The Columns at Ayala Avenue, and accelerated revenue recognition following the sale of CII's installment receivables.

In November, The Columns at Legazpi Village, consisting of 390 units, was soft launched, followed by the launch in December of Celadon Residences, consisting of 114 townhouse units, at the site of the former San Lazaro racetrack in Manila. By year-end, 25 units at The Columns at Legazpi Village and 35 units at Celadon Residences were taken up.

Affordable housing. Revenue contribution of Avida Land Corporation, the new corporate name for Laguna Properties Holdings, Inc., increased to P2.15 billion or 12% from P1.93 billion in 2004 as a result of construction accomplishments at Avida Towers in Sucat and New Manila.

Sales volume amounted to 1,538 booked units, with affordable lots, house-and-lot packages and condominium units accounting for about 80% of total.

Bookings of affordable condominium units more than doubled to 560 from the previous year's 222 units, reflecting the continued success of its high-density, affordable residential product. Three towers launched during the year, namely Avida Towers Sucat- Tower 3, Avida Towers New Manila-Tower 2 and Avida Towers San Lazaro, consisting of 1,052 units, enjoyed brisk sales.

Indicative of strong market interest is the 33% take-up rate for the 390-unit Avida Towers San Lazaro one month after launch in December. This tower is part of the Company's mixed-use development in San Lazaro which includes the Celadon Residences of CII also launched at the same time.

Shopping Centers

Revenues from shopping centers, mostly from land and building rentals, amounted to P3.53 billion, an increase of 22%, and contributed 16% of total revenues. The robust growth in revenues can be attributed to the full year operations of Market! Market! Phase 1A and SM Expansion coupled with improved merchant sales, particularly from replacement tenants at Ayala Center. A 5%-12% percent increase in basic rent also contributed to revenue growth.

Although same-store sales were almost flat, total retail sales from all malls were up 10% as a result of year-round efforts to enhance each property's value propositions to shoppers and merchants. Occupancy levels continued to rise across all malls and retail areas and averaged at 91%. Market! Market!, including newly-opened Phase 1B, was already 65% occupied, with 81% of leasable area leased/committed as of end-2005.

During the year, Ayala Land steadily increased its shopping center portfolio. Phase 1B of Market! Market!, consisting of nearly 34,000 sqms, soft opened in October. The retail areas at PeopleSupport Center and Convergys, totaling around 2,300 sqms, also opened and were fully let by December.

Construction of North Triangle Commercial Center, with its leasable area of nearly 200,000 sqms, would expand current retail portfolio by 26%. Given strong merchant interest, lease out is on schedule. An anchor tenant, Landmark Department Store, has already been engaged. The shopping center is expected to be operational in the second half 2007.

Corporate Business

In 2005, revenues from corporate business amounted to P632 million or 3% of total revenues. This represents a 5% decline from the previous year's level because of the absence of any office space sale compared to sale of 1,773 sqms at Ayala Life-FGU Makati in 2004.

The decline in revenues was partly offset by the start of operations of PeopleSupport Center and Convergys, which added 36,000 sqms to the Company's office rental portfolio, and the sale of 6.25 hectares at Laguna Technopark compared to 3.7 hectares sold in 2004.

Occupancy of ALI's traditional office buildings, namely Tower One, 6750, MSE, Ayala Life-FGU Makati, and Ayala Life-FGU Alabang, averaged at 93% during the year. Average occupancy level improved to 98% towards year-end following closure of deals with replacement tenants.

Strategic Landbank Management

A newly created business line formalized to actively manage the Company's landbank, the Strategic Landbank Management Group generated revenues of P485 million, consisting of its share of sales at The Columns at Ayala Avenue and Avida projects. This new group contributed 2% to consolidated revenues.

Compared to 2004, revenues declined by 32% owing to the absence of a Makati lot sale in 2005. Revenue decline was, however, partly offset by additional construction accomplishment at The Columns at Ayala Avenue and Avida Towers Sucat where ALI has override units.

During the year, significant progress was made in developing a long-term vision for the Company's key properties and identifying initiatives to catalyze their development. A masterplan review process was initiated for certain strategic parcels in Makati such as Ayala Center and the Ayala Triangle. Also during the year, a redesign of the masterplan for Fort Bonifacio's City Center core was undertaken. South of Metro Manila, the Canlubang properties likewise underwent a masterplanning review process aimed at developing the area into a complete and integrated township.

Visayas-Mindanao

Projects in the Visayas and Mindanao areas, primarily Plantazionne Verdana Homes and Ayala Northpoint in Bacolod, contributed P183 million or 1% to consolidated revenues. This grew by 16% year-on-year on account of higher unit bookings at Plantazionne.

Support Businesses

Ayala Land's support businesses, consisting of construction, property management, waterworks and hotels, collectively generated revenues of P3.55 billion or 16% of total and grew by 6%. Each of these businesses is a source of competitive advantage.

Construction. Growth of service revenues was driven by Makati Development Corporation (MDC) revenues of P1.06 billion, 7% higher than 2004 revenues, net of inter-segment eliminations. Higher revenues from infrastructure projects, equipment rentals and concrete products accounted for MDC's strong performance.

Before inter-segment eliminations, MDC revenues totaled P3.67 billion, up 5%. Net income likewise increased and amounted to P268 million.

Property Management. Revenues of Ayala Property Management Corporation (APMC), net of inter-segment eliminations, grew by 6% to P486 million due to new facilities management contracts with third parties, notably for the NAIA Terminals 2 & 3 and International School Manila.

Prior to inter-segment eliminations, total APMC revenues of P717 million increased by 3%.

Waterworks. Operation of water facilities at Company-developed projects Ayala Alabang Village and Laguna Technopark amounted to P270 million, up 10% year-on-year,

Hotels. The Company's properties, namely Hotel InterContinental, Cebu Marriott and Oakwood Premier Ayala Center, benefited from increased visitor arrivals and investor interest, such as BPO companies, in terms of occupancy and room rates.

Total revenues of P1.74 billion were up 5% due to higher room rates and revenues per available room across all Company-owned properties. Average occupancy rate was up at 82%, with Oakwood and Marriott outperforming their respective markets in terms of occupancy, room rates and revenues per available room.

Interest and Other Income

Interest and other income amounted to P4.20 billion, a significant increase from P1.71 billion in 2004 largely because of the P2.28 billion gain from sale of AIVI shares. Of the P4.20 billion, equity in net earnings contributed P221 million, up by 6% as a result of the improved performance of Alabang Commercial Corporation and Cebu Holdings, Inc.

Expenses

Total costs and expenses grew to P18.08 billion, up 19%, compared to P15.14 billion in 2004. Of the P18.08 billion, interest and other charges accounted for P3.36 billion, up from P1.33 billion, mainly due to provisions and write-offs.

General and administrative expenses, which amounted to 13% of real estate and hotel revenues, grew by 13% given increased payroll costs due to CBA adjustments and subsidiaries' expansion, and higher stock option availments.

Net Operating Income (NOI) and NOI Margins.

Net operating income amounted to P6.12 billion, with residential developments and shopping centers as key contributors. Residential developments contributed P2.35 billion or 38% of total NOI. Shopping centers generated P2.11 billion or 34% of total.

Overall NOI margin fell slightly to 34% from 36% due to Market! Market! which pulled down shopping center margins and the rental commencement at BPO buildings. The absence of a Makati land sale in 2005 also pulled margin lower.

Project and Capital Expenditures

2005 consolidated project and capital expenditures amounted to P6.8 billion, or 50% of the P13.6 billion budgeted for the year. Residential developments accounted for 75% of the disbursements while 17% was spent for shopping centers. About 6% was used for office building projects of the corporate business group. The balance was spent for projects of the Visayas-Mindanao and strategic landbank management groups and for support businesses.

Actual 2005 consolidated expenditures was below budget due to the timing of closing of negotiations for acquisition and subsequent development of properties.

For 2006, the Company's consolidated project and capital expenditures budget amounts to P16.1 billion, more than double 2005 actual expenditures.

Financial Condition

Due to improved operating results, the Company ended the year with a strong balance sheet, a solid platform for future growth.

Liquidity was enhanced by cash inflows from operations and sale of non-core assets and receivables. In 2005, the Company sold a total of P1.1 billion installment receivables. Total interest-bearing debt was reduced by 20% to P10.7 billion, bringing debt-to-equity and net debt-to-equity ratios down to 0.28:1 and 0.10:1, respectively. While prepaying debt, the Company managed to pay out a total of P3.2 billion in regular and cash dividends, representing a 108% pay-out. By year-end, cash reserves amounted to P6.8 billion.

For your information.

Very truly yours,

original copy signed

JAIME E. YSMAEL

Senior Vice President and Chief Finance Officer

AYALA LAND, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

(Amounts in Thousands)

	December 31	
	2005	2004 (As Restated)
ASSETS		
Current Assets		
Cash and cash equivalents	₱6,756,038	₱6,360,187
Accounts and notes receivable – net	8,806,070	10,375,191
Real estate inventories	6,812,501	6,068,465
Other current assets	1,688,648	1,054,097
Total Current Assets	24,063,257	23,857,940
Noncurrent Assets		
Noncurrent accounts and notes receivable	8,252,614	6,575,455
Land and improvements - net	17,578,187	19,728,666
Investments in associates and jointly controlled entities – net	6,831,595	6,718,831
Available-for-sale investments	442,491	1,221,640
Property and equipment - net	5,073,186	5,567,243
Investment properties - net	13,275,893	11,980,112
Deferred tax assets	767,103	242,700
Other noncurrent assets	1,139,656	657,822
Total Noncurrent Assets	53,360,725	52,692,469
	₱77,423,982	₱76,550,409
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	₱8,022,073	₱5,746,596
Short-term debt	1,427,000	1,936,750
Income tax payable	112,344	165,869
Current portion of:		
Long-term debt	811,697	1,110,738
Estimated liability for land and property development	2,927,640	3,043,026
Unrealized gain on real estate sales	1,731,815	719,551
Other current liabilities	182,145	194,000
Total Current Liabilities	15,214,714	12,916,530
Noncurrent Liabilities		
Long-term debt - net of current portion	8,484,137	10,389,295
Pension liability	110,283	475,775
Deferred tax liabilities	272,967	242,238
Noncurrent liabilities and deposits	3,713,698	3,117,716
Unrealized gain on real estate sales - net of current portion	1,111,825	2,365,031
Estimated liability for land and property development - net of current portion	3,172,802	2,225,086
Total Noncurrent Liabilities	16,865,712	18,815,141
Total Liabilities	32,080,426	31,731,671

(Forward)

	December 31	
	2005	2004
		(As Restated)
Stockholders' Equity		
Equity Attributable to Equity Holders of Ayala Land, Inc.		
Issued Capital	14,629,653	14,485,953
Stock Options Outstanding	188,268	262,784
Fair Value Loss	(7,508)	—
Retained Earnings	23,648,162	23,374,019
Treasury Stock	(557)	(557)
	38,458,018	38,122,199
Minority interests	6,885,538	6,696,539
	45,343,556	44,818,738
	₱77,423,982	₱76,550,409

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

	Years Ended December 31	
	2005	2004 (As Restated)
REVENUE		
Real estate	₱16,126,880	₱14,724,906
Hotel operations	1,738,163	1,649,217
Equity in net earnings of investees, interest, fees, Investment and other income	4,195,650	1,710,130
	22,060,693	18,084,253
COSTS AND EXPENSES		
Real estate	10,622,305	9,329,441
Hotel operations	1,116,379	1,149,834
General and administrative expenses	2,359,896	2,081,560
Interest and other charges	3,359,876	1,327,665
Provision for income tax	616,806	1,249,866
	18,075,262	15,138,366
NET INCOME FOR THE YEAR	3,985,431	2,945,887
Net Income (Loss) Attributable to:		
Equity holders of Ayala Land, Inc.	3,616,673	2,986,119
Minority interests	368,758	(40,232)
	₱3,985,431	₱2,945,887
Earnings per Share		
Basic	₱0.34	₱0.28
Diluted	₱0.34	₱0.28

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

	Years Ended December 31	
	2005	2004 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱4,602,237	₱4,195,753
Adjustments for:		
Depreciation and amortization	1,020,548	933,350
Interest expense - net of amount capitalized	827,830	916,987
Provision for doubtful accounts	6,400	25,370
Provision for decline in value of assets	2,174,130	-
Dividends received from investee	94,275	19,035
Interest income	(662,235)	(659,442)
Equity in net earnings of investees	(221,305)	(295,941)
Gain on sale of investments	(2,663,121)	(220,377)
Operating income before changes in working capital	5,178,759	4,914,735
Decrease (increase) in:		
Accounts and notes receivable – trade	38,520	(3,111,374)
Subdivision land for sale	(1,789,270)	(1,419,345)
Condominium and residential units for sale	2,900,011	736,937
Other current assets	(634,551)	(473,883)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,319,919	1,730,977
Pension liabilities	(365,492)	475,775
Other current liabilities	(11,855)	(55,820)
Estimated liability for land and property development	832,330	1,593,926
Unrealized gain on real estate sales	(1,258,098)	-
Cash generated from operations	7,210,273	4,391,928
Interest received	622,294	426,141
Income tax paid	(1,170,284)	(1,324,194)
Interest paid - net of amount capitalized	(872,877)	(925,328)
Net cash provided by operating activities	5,789,406	2,568,547
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,637,022	1,340,031
Proceeds from disposal of property and equipment	-	(4,203,796)
Additions to:		
Land and improvements	(183,071)	(412,968)
Investments	(3,374,411)	3,636,934
Property and equipment	(311,615)	(329,228)
Decrease (increase) in:		
Accounts and notes receivable - non-trade	804,408	(279,916)
Other noncurrent assets	(493,375)	(169,836)
Fair value gains (losses)	(8,055)	-
Net cash used in investing activities	70,903	(418,779)

(Forward)

	Years Ended December 31	
	2005	2004 (As Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short and long-term debt	₱870,000	₱2,547,480
Payment of short and long-term debt	(3,583,949)	(3,491,991)
Increase (decrease) in:		
Noncurrent liabilities and deposits	595,982	446,984
Minority interest in consolidated subsidiaries	(179,759)	291,546
Proceeds from issuance of capital stock	69,184	207,173
Dividends paid	(3,235,916)	(645,693)
Net cash provided by (used in) financing activities	(5,464,458)	(644,501)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	395,851	1,505,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,360,187	4,854,920
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱6,756,038	₱6,360,187