

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-IS

**Information Statement Pursuant to the
Securities Regulation Code (SRC) Rule 17.1(b)**

1. Check the appropriate box:

Preliminary Information Sheet
 Definitive Information Sheet

2. Name of Registrant as specified in this Charter: AYALA LAND, INC.

3. Province, country and other jurisdiction or incorporation or organization:

MAKATI CITY, PHILIPPINES

4. SEC Identification Number: 152747

5. BIR Tax Identification Code: 000-000-153-790

6. Address of Principal Office: 31 Floor, Tower One,
Ayala Triangle, Ayala Avenue,
Makati City 1226

7. Registrant's telephone number, including area code: (632) 848-5772/841-5335

8. Date, time and place of the meeting of security holders:

Date	-	17 April 2002
Time	-	9:00 A.M.
Place	-	Onstage Greenbelt 2 nd Level Greenbelt Mall Ayala Center, Makati City

9. Approximate date of which the Information Statement is to be first sent or given to security holders:

20 March 2002

10. Securities registered pursuant to Sections 4 and 8 of the RSA

a. Authorized Capital Stock	P 12,000,000,000	
Common Shares	12,000,000,000	(P 1.00 par value)

b. No. of Shares Outstanding as of 31 December 2001

Common Shares	10,693,307,532
	(net of 24,081 Treasury shares)

c. Amount of Debt Outstanding as of 31 December 2001

(interest-bearing payables; current and long-term; including LTCPs)

P 10.9 billion

11. Are any of the registrant's securities listed in the Philippine Stock Exchange?4 Yes

_____ No

10,642,643,153 Common shares have been listed with the Philippine Stock Exchange as of 31 December 2001, excluding the 115,030,578 underlying shares on the P 4 Billion Long Term Commercial Paper (LTCP) which have been approved for listing, and the 17,402,687 Common shares subscribed under the Employee's Stock Option Plans, which will be applied for listing in the PSE.

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INFORMATION REQUIRED IN THE INFORMATION STATEMENT

Date, time and place of meeting of security holders.

Date	-	17 April 2002
Time	-	9:00 A.M.
Place	-	Onstage Greenbelt 2 nd Level Greenbelt Mall Ayala Center, Makati City
Principal Office	-	31 Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU
ARE REQUESTED NOT TO SEND US A PROXY**

Interest of Certain Persons in or Opposition to Matters to be Acted Upon.

- a) No current director or officer of the Corporation, or nominee for election as directors of the Corporation nor any associate thereof, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than election to office.
- b) No director has informed the Corporation in writing that he intends to oppose any action to be taken by the registrant at the meeting.

Right of Appraisal. There are no matters or proposed corporate actions which may give rise to a possible exercise by security holders of their appraisal rights under Title X of the Corporation Code of the Philippines.

Voting Securities and Principal Holders Thereof.

- a) Number of Shares Outstanding as of 31 December 2001: 10,693,307,532 Common Shares
Number of Votes Entitled: one (1) vote per share
- b) All stockholders of record as of 5 March 2002 are entitled to notice and to vote at the Annual Stockholders' Meeting
- c) Manner of Voting

Article III Section 7 of the Amended By-Laws of the Corporation provides :

“SECTION 7. Section 7 - Each share of stock entitles the person in whose name it is registered in the books of the Corporation to one vote, provided the conditions as regards payment subject to which it was issued have been complied with.”

d) Security Ownership of Certain Record and Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of 31 December 2001.

Type of Class	NAME / ADDRESS	NO. OF SHARES	RECORD/ BENEFICIAL	PERCENTAGE
Common	Ayala Corporation 34F Tower One, Ayala Avenue, Makati	7,166,232,447	(R)	67.02%
Common	PCD Nominee Corporation (Non-Fil) MSE Building, Ayala Avenue, Makati	1,643,044,331	(R)	15.37%
Common	PCD Nominee Corporation (Filipino) MSE Building, Ayala Avenue, Makati	1,006,868,036	(R)	9.42%

Ayala Corporation holds 67.02 % interest. Mermac, Inc. and the Mitsubishi Group own an aggregate of 73.17% of the outstanding shares of Ayala Corporation. The Board of Directors of Ayala Corporation has the power to decide how AC shares in ALI are to be voted.

PCD Nominee Non-Fil and Filipino hold an aggregate of 24.79% interest. PCD Nominee is the registered owner of shares beneficially owned by the Custodian Banks and Brokers, who are the participants of PCD. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in ALI are to be voted.

2. Security Ownership of Management as of 31 December 2001.

Type of Class	NAME	POSITION	NO. OF SHARES	RECORD / BENEFICIAL	PERCENTAGE
Common	Fernando Zobel de Ayala	Chairman - Board of Directors & ExCom	1,203,336	(R)	0.01125327%
Common	Jaime Augusto Zobel de Ayala II	Vice Chairman - Board of Directors & ExCom	33,000	(R)	0.00030861%
Common	Francisco H. Licuanan III	Member - Board of Directors & ExCom; President	1	(R)	0.00000001%
Common	Mercedita S. Nolleto	Member - Board of Directors, Executive Vice President, Treasurer & Corporate Secretary	83,815	(R)	0.00078381%
Common	Ariston Estrada, Jr.	Member - Board of Directors	15,384	(R)	0.00014387%
Common	Manuel Q. Bengson	Member - Board of Directors	1	(R)	0.00000001%
Common	Leandro Y. Locsin, Jr.	Member - Board of Directors	8,723,095	(R)	0.08157597%
Common	Ramon R. del Rosario, Jr.	Member - Board of Directors	1	(R)	0.00000001%
Common	Delfin L. Lazaro	Member - Board of Directors	1	(R)	0.00000001%
Common	Vincent Y. Tan	Executive Vice President	2,271,211	(R)	0.02123955%
Common	Renato O. Marzan	Assistant Corporate Secretary	360,484	(R)	0.00337115%
Common	Miriam O. Katigbak	Senior Vice President	153,672	(R)	0.00143710%
Common	Manuel J. Colayco, Jr.	Senior Vice President	381,671	(R)	0.00356925%
Common	Ma. Victoria E. Añonuevo	Vice President	411,152	(R)	0.00384498%
Common	Jose Rene D. Almendras	Vice President	0	(R)	
Common	Marcelo M. Casillan	Vice President	1,505,117	(R)	0.01245946%
Common	Ricardo N. Jacinto	Vice President	82,174	(R)	0.01407532%
Common	Angela V. Lacson	Vice President	0	(R)	
Common	Cynthia H. Poblador	Vice President	332,207	(R)	0.00310668%
Common	Eliezer C. Tanlapco	Vice President	0	(R)	
Common	Emilio J. Tumbocon	Vice President	392,599	(R)	0.00367145%
Common	Jaime E. Ysmael	Vice President/Comptroller	171,973	(R)	0.00160823%

e) No change of control in the Corporation has occurred since the beginning of its last fiscal year.

Directors and Executive Officers.

Nominees for Election as Members of the Board of Directors

The following stockholders are expected to be nominated as Members of the Board of Directors for the ensuing calendar year:

FERNANDO ZOBEL DE AYALA	JAIME AUGUSTO ZOBEL DE AYALA II
ARISTÓN ESTRADA, JR.	FRANCISCO H. LICUANAN III
MERCEDITA S. NOLLEDO	LEANDRO Y. LOCSIN, JR.
RAMON R. DEL ROSARIO, JR.	DELFIN L. LAZARO
MANUEL Q. BENGSON	

The nominees have served as Directors of the Corporation for more than 5 years except for Messrs. Estrada and Bengson who have served as Directors for 4 and 3 years, respectively.

Messrs. Locsin and Del Rosario are independent directors.

Legal Proceedings

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

Directors and Executive Officers Please refer to Annex "A" hereof.

Significant Employees

The Corporation values its human resources. It expects each employee to do his share in achieving the Corporation's set goals.

Family Relationships

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

Relationships and Related Transactions

The Company, in its regular course of trade or business, enters into transactions with principal stockholders involving mainly the sale of land and other assets. In addition, the Company obtains borrowings from an affiliated commercial bank. However, no other transaction was undertaken by the Company in which any Director or Executive Officer was involved or had a direct or indirect material interest.

Parent Company

Ayala Corporation directly owns 67.02% of the total issued and outstanding capital stock of the Company as of 31 December 2001.

Resignation of Directors

No director has resigned or declined to stand for re-election for the Board of Directors since the date of the annual meeting of security holders due to any disagreement with the Corporation relative to the Corporation's operations, policies or practices.

Compensation of Directors & Officers.

Directors. Article IV Section 10 of the Company's By-Laws provides :

“Section 10 - The Chairman of the Board shall receive such remuneration as may be fixed by the Board of Directors each year, aside from that which each one as Director may be entitled to receive.”

Officers. The Company adopts a performance-based compensation scheme as incentive. Total compensation paid to all senior personnel from Manager and up amounted to P226.7 million in 2000 and P239.4 million in 2001. The projected total annual compensation for the current year is P263.3 million.

The total annual compensation of the top 11 officers of the Company amounted to P73.4 million in 2000 and P73.9 million for 2001. The projected total annual compensation for the current year is P81.3 million.

The total annual compensation paid to all senior personnel from Manager and up were all paid in cash. The total annual compensation includes the basic salary and the mid-year and 13th month bonuses.

Name	Principal Position	Compensation		
		2002*	2001	2000
Francisco H. Licuanan III	President			
Mercedita S. Nolleto	Executive Vice President			
Vincent Y. Tan	Executive Vice President			
Miriam O. Katigbak	Senior Vice President			
Manuel J. Colayco, Jr.	Senior Vice President			
Jose Rene D. Almendras	Vice President			
Ma. Victoria E. Anonuevo	Vice President			
Ricardo N. Jacinto	Vice President			
Angela V. Lacson	Vice President			
Emilio J. Tumbocon	Vice President			
Jaime E. Ysmael	Vice President			
All above-named Officers as a group		P 81,344,851	P 73,949,865	P 73,435,142

* Projected Annual Compensation

Name	Compensation		
	2002*	2001	2000
All Officers** and Directors as a Group	P 263,286,978	P 239,351,799	P 226,674,179

* Projected Annual Compensation

** Managers and up

Independent Public Accountants.

The principal accountants and external auditors of the Company is the accounting firm of Sycip, Gorres, Velayo & Company (SGV & Co.). The same accounting firm is being recommended for re-election at the scheduled annual meeting for the almost the same remuneration as in the previous year.

Authorization or Issuance of Securities Otherwise than for Exchange.

There are no matters or actions to be taken up in the meeting with respect to authorization or issuance of securities.

Financial and Other Information.

(a) Information Required

- (1) The audited financial statements as of 31 December 2001 is attached hereto. The notes to Financial Statements, as well as the Statement of Management Responsibility, and Schedules

required under Part IV(c) of Rule 68 will be included in the Annual Report (Form 17-A). The Market Price of Shares and Dividends are attached hereto as Annex "B"

- (2) Management's Discussion and Analysis of Financial Condition and Results of Operation
 - (a) Full Fiscal Year.

2001 vs. 2000

Ayala Land ended the year with sound fundamentals despite the economic and business uncertainties that prevailed throughout the year. The Company fortified its market presence as it maintained its position in traditional markets and tapped new markets. Thus, while 2001 was not a period of high growth for the industry as whole, Ayala Land managed to post a consolidated net income of P2.3 billion in 2001, 24% higher than the previous year's level. Revenues reflected a 13% year-on-year growth to P11.7 billion in 2001.

Rental operations remained a major revenue contributor, accounting for P3.1 billion or 27% of consolidated revenues. Rental revenues grew by 10% year-on-year. The Company's shopping centers proved resilient, with Ayala Center's same store sales growth posted at 6% and occupancy at a high 94%. During the year, Ayala Land continued to further improve and expand Ayala Center with the redevelopment of Greenbelt into a premier urban retail entertainment center. The year also saw the start of operations of two mass transit-based retail projects, the MRT3-Ayala Station and the Metro Point, an 8,000-sqm mall at the intersection of LRT1 and MRT3 in EDSA and Taft Avenue. Ayala Land's office leasing portfolio likewise remained stable, posting a high average occupancy rate of 94% and slightly higher rental income amid the increasingly competitive environment in the office market.

Land sales generated P2.1 billion in revenues or 18% of total. During the year, the Company opened two new phases at Ayala Westgrove Heights in Silang, Cavite, bringing up total lot offerings to 971 lots, 81% of which were taken up by year-end. Take-up rate at Ayala Greenfield Estates was at 55% of 381 lots, including a new phase launched in 2001. Paseo de Magallanes, a residential-commercial subdivision, launched in the second quarter of 2001, was very well received. By year-end, all of the 48 residential lots were sold, with about half of the 22 commercial lots taken up. Late in September, a new phase consisting of 49 lots was opened at Ferndale Homes in Quezon City and was 84% taken up after only three months. In the industrial estate segment, Laguna Technopark was one of the few industrial estate developers who were able to close deals in 2001. A total of 13.2 hectares was sold to five new locators, bringing the project's total locators to 100 companies, 84 of which were operational as of year-end.

Condominium sales contributed P1.5 billion or 13% to consolidated revenues in 2001. Revenues were more than double the previous year's level of P678 million as a result of the launch of Montgomery Place in February and the booking of 34 units at One Roxas Triangle. Brisk take-up of the initial 132-unit offering in Montgomery Place prompted the opening of the 90-unit second phase in July. By year-end, 67% of the 222 units was taken-up. Despite the weak market for luxury residential condominiums, One Roxas Triangle posted a higher take-up rate of 50% by end-2001 compared to 38% at the end of the previous year. At Ferndale Homes, all house-and-lot units in the first two phases were taken up as of year-end.

The Company's construction business generated P1.6 billion or 13% of total revenues, representing a 71% growth year-on-year. Makati Development Corporation, Ayala Land's construction arm, actively pursued vertical projects such as the Globe Telecom Building and Globe Islacom Corporate Center in Cebu, in addition to its traditional land development projects.

Hotel operations contributed 11% or P1.3 billion to Ayala Land's consolidated revenues. Despite the sharp decline in revenues across the hotel industry, Ayala Hotel's three properties all did well relative to market. Oakwood Premier Ayala Center managed to significantly improve its occupancy rate to 72% in 2001, the highest in Makati, from 45% in 2000. Hotel InterContinental Manila's occupancy rate of 64% in 2001, was above the MCBDB average hotel occupancy rate of 57%. Cebu City Marriott Hotels also performed better than industry as the hotel posted a 62% average occupancy rate versus the 58% average for hotels in Cebu.

Despite job security concerns and buyers' preference to stay liquid as a result of the uncertain economic situation, Ayala Land's mass housing arm, Laguna Properties Holdings, Inc., managed to increase its revenues to

P820 million, representing a 26% growth year-on-year and 7% of consolidated revenues in 2001. 806 units were booked, 7% higher than previous year's level. Affordability was addressed with the introduction of in-house financing schemes that offered lower downpayments, longer terms and reduced interest rates.

Ayala Land's sound financial health enabled the Company to meet commitments and venture into new areas. The Company's balance sheet remained strong, with total assets of P61.9 billion and stockholders' equity of P35.2 billion. As a defensive measure against prolonged market weakness, the Company sharpened its focus on cash flow and sought to increase liquidity through the conversion of existing assets into receivables and more liquid assets. As a result, the Company had cash reserves of P6.7 billion and a current ratio of 1.49:1 at year-end. Bank debt-to-equity and net debt-to-equity ratios of 0.31:1 and 0.12:1, respectively, remained at very comfortable levels. Funds generated from operations sufficiently met capital expenditures which amounted to P2.5 billion for the whole year of 2001. Bulk of this capex was used for the development of commercial centers and construction of residential buildings.

Looking ahead, 2002 will continue to be a challenging year for the Company. In preparation for the inevitable upturn, Ayala Land has lined up a number of projects for the year. As its first project undertaking in 2002, the Company will soon launch One Legazpi Park, a 365-unit residential building within Makati. To further beef-up recurring revenues, Ayala Land will soon break ground on Market! Market!, a value mall envisioned to be a regional retail hub combined with multi-modal transport. The Company will also enter a new market, particularly the middle-income urban residential segment. A new strategic business unit known as the Core-Mid Group will launch early in the year a subdivision project in Cavite offering lots, as well as house-and-lot packages. Other projects tapping traditional, as well as new markets, have been lined up in the succeeding months.

2000 vs. 1999

Year 2000 continued to be a challenging year for Ayala Land and the entire business community. The economy was weighed down by political problems resulting in dampened market sentiment and investor confidence. The Company posted a P1.8 billion consolidated net income for the full year ended December 31, 2000, 29% lower than previous year's level, reflecting the adverse effects of the difficult business environment. Full year consolidated revenues amounted to P10.3 billion.

Rentals emerged as the biggest contributor to revenues during the period, generating P2.8 billion or 27% to total. Ayala Land's rental portfolio remained stable amidst cautious spending in the retail sector and fierce competition in the office leasing market. In 2000, Ayala Center's same store sales posted a slight growth while occupancy rate remained high at about 96%. Alabang Town Center's occupancy rate was posted at 92% while Pavilion Mall showed improved occupancy rate of 90% at the end of the year. In line with the Company's thrust to beef up its rental portfolio, Ayala Land commenced with the redevelopment of Greenbelt and successfully bid for the 9.8-hectare property along Circumferential Road-5 (C-5). A regional shopping center, scheduled to break ground in 2002, will be developed in the C-5 property. The Company's office leasing operations posted a 3% increase in revenues, made possible by continued high occupancy rates in its office buildings: Tower One, Makati Stock Exchange Building and 6750 Ayala Avenue's occupancy rates averaged at 96%, while Ayala Life-FGU Center's space for lease registered 85% occupancy from only 24% in the previous year.

Land sales remained a key revenue driver, accounting for P2.7 billion or 27% of the Company's consolidated revenues. Prime residential subdivision projects generated the bulk of the land sale revenues. In March, the Company launched the second residential community in Ayala South, Ayala Greenfield Estates. Phase I of the 500-hectare subdivision made available some 329 lots to the public. The project generated encouraging market response with nearly 50% take up at the end of the year. Meanwhile, three new phases at the Ayala Westgrove Heights were launched during the year, bringing cumulative offering to 858 lots. Sales proved to be steady, registering a 78% take-up at year-end. Full take-up at the initial phase of Ayala Heights Cebu prompted the launch of Phase 2A in June. 148 lots were offered for sale, 17% of which was taken up by end-2000. Ayala Northpoint broke ground on its clubhouse in October and posted a cumulative take-up rate of 67% as of end-2000. The Company's industrial estate development, Laguna Technopark, likewise contributed to land sales. Despite dampened interest in the industrial estate sector, Laguna Technopark managed to book the sale of six lots totaling 7.3 hectares.

Hotel operations yielded P1.2 billion in revenues, representing 11% of total and a growth of 40% over the previous year. This was made possible by the significant contribution of Oakwood Premier Ayala Center, the Company's two-tower serviced apartments. At the end of 2000, Oakwood's occupancy rate was higher-than-expected at 65%. Hotel InterContinental Manila and Cebu City Marriott Hotel did relatively well despite the low-rate strategy being adopted in the hotel sector. Hotel InterContinental Manila's occupancy rate averaged at 67% in 2000, still above the 63% average occupancy rate of deluxe hotels in Makati, while that of Cebu City Marriott Hotel averaged at 58%.

Revenues from construction projects contributed P912 million or 9% of Ayala Land's total revenues. Amidst tight competition for construction projects, Ayala Land's wholly-owned construction arm, Makati Development Corporation (MDC), managed to post a 83% increase in revenues. About half of the revenues were derived from Ayala Land-related projects, while the other half was from construction projects undertaken for third parties. New projects in 2000 included the construction of the water distribution system in Sucat, Parañaque, a road project in Binalonan, Pangasinan, and the construction of the Globe Telecom building in Cebu.

Condominium sales contributed 7% or P678 million to consolidated revenues. Despite the oversupply problem faced by the high-end residential buildings sector, One Roxas Triangle generated new sales in the second semester of 2000. At the end of the year, 38% of the 182-unit building was taken-up. Improved sales performance was attributed to the project's near completion targeted by mid-2001. At The Regency at Salcedo, the remaining five units have been leased out and are being offered for sale as tenanted units. Units at the fully sold Phase 1 of Ferndale Homes were completed and residents have begun to move in. Phase 2 with 53 units posted a take-up rate of 58% as of end-2000. In September 2000, Ayala Land broke ground on Montgomery Place, a 7.5-hectare townhomes project along E. Rodriguez Avenue in Quezon City.

Interest rate concerns in the second semester of 2000 capped mass housing revenues at P649 million, representing 6% of total revenues. Most of the Company's mass housing sales were generated in the first half when a more stable interest rate scenario provided a brighter outlook for the sector. The Company, however, continued to widen its range of mass housing products in the second half of the year. Laguna Properties Holdings, Inc. ventured into the low-cost housing segment and offered this new product line in three locations: Santa Barbara Homes in Tayabas, Quezon; San Alfonso Homes in Naga, Camarines Sur; and Saint Joseph Homes in Trece Martirez, Cavite. About 1,200 housing units were initially launched in these projects and met favorable response from the market.

Key affiliates continued to report progress on their major undertakings. Cebu Holdings, Inc.'s City Sports Club Cebu was topped off in July 2000. At the end of 2000, the sports club registered 86% take up on 880 shares offered for sale in three tranches. Meanwhile, Pilipinas Makro, Inc. continued with its expansion plans during the year 2000. In May, Makro opened its fifth store in North Harbor Manila. Outside of the Luzon area, two Makro stores started operations in November, one in Cebu and another in Davao. Infrastructure affiliate, Metro Rail Transit Corporation, formally inaugurated in July 2000 the entire 13 stations of Metrostar Express spanning from North Avenue in Quezon City to Taft Avenue in Pasay City.

Addressing the growing business opportunities in the New Economy, the Company, through ALInet.com, launched in June 2000 a lifestyle and entertainment portal which is a 50-50 joint venture with iAyala Co., Inc. of Ayala Corporation. The site, known as myAyala.com, was awarded 'The People's Choice Award for Commerce' during The 3rd Philippine Web Awards last November. Also together with iAyala, ALInet entered into a joint venture in November with Internet Initiative Japan to establish Ayalaport Makati, Inc., an Internet Data Center which will offer complete security, unsurpassed connectivity and total solutions for mission-critical computer facilities.

Notwithstanding the prolonged consolidation of the real estate industry, the Company's financial health remained strong. Total assets managed to post a slight year-on-year growth of 3.4% to P58 billion. Total interest-bearing debt, mostly peso-denominated, was kept at a low level of P8.3 billion resulting in a low debt to equity and net debt-to-equity ratios of 0.25:1 and 0.13:1, respectively. Good liquidity position, as always, was given emphasis by the Company. As of the end of the year, its cash position stood at P4.1 billion while current ratio was at a very comfortable level of 2.50:1.

Ayala Land spent P3.1 billion in capital expenditures in 2000 to support its investment program. About 41% was used for commercial center developments, 23% for condominium projects, 18% for land acquisition and

land development, 5% for projects in the Visayas and Mindanao regions, and the balance for equity investments to key subsidiaries and affiliates.

- (3) Ayala Land, Inc. adopted the following Statement of Financial Accounting Standards (SFAS) which became effective in 2001:
- SFAS No. 1 (revised 2000), Presentation of Financial Statements
 - SFAS No. 4 (revised 2000), Inventories
 - SFAS No. 13 (revised 2000), Net Income or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
 - SFAS No. 22 (revised 2000), Cash Flow Statements

Following new presentation rules under SFAS No. 1 (revised 2000), Presentation of Financial Statements, prior year financial statements were restated to follow the format prescribed by SFAS No. 1 (revised 2000). Changes made pertain principally to the presentation and the inclusion of a statement of changes in stockholders' equity and additional disclosures required by SFAS No. 1 (revised 2000).

The effect of adopting the new standards on the consolidated financial statements is not material.

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

- (4) Representatives of the principal accountants (SGV & Co.) for the current year and for the most recently completed fiscal year are expected to be present at the Annual Stockholders' Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Action with Respect to Reports.

- a) Approval of the Annual Report of Management for the year ending 31 December 2001.
- b) Approval of the Minutes of the 2000 Annual Meeting of the Stockholders held on 18 April 2001.

Other Proposed Actions.

- a) Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering 1 January 2001 through 31 December 2001.
- b) Election of the Members of the Board of Directors for the ensuing calendar year.
- c) Election of External Auditors and Fixing their remuneration.

Voting Procedures.

Vote required:

The vote of stockholders representing at least a majority of the issued and outstanding capital stock entitled to vote is required.

Method: Straight and Cumulative Voting

In all items for approval except election of directors, each share of stock entitles its registered owner to one vote.

In case of election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

Upon the written request of the stockholders, the Corporation undertakes to furnish said stockholder with a copy of SEC Form 17-A free of charge except for the exhibit attached thereto which shall be charged at cost. Any written request for a copy of SEC Form 17-A shall be addressed to the following:

**Ayala Land, Inc.
29/F Tower One
Ayala Triangle
Ayala Avenue, Makati City**

**Attention: Mr. Jaime E. Ysmael
Vice President & Comptroller**

AYALA LAND, INC.

(Original Signed)
by: MERCEDITA S. NOLLEDO
Executive Vice President,
Corporate Secretary & Treasurer

ANNEX “A”
Directors and Executive Officers
(as of 31 December 2001)

Board of Directors

Fernando Zobel de Ayala	Manuel Q. Bengson
Jaime Augusto Zobel de Ayala II	Leandro Y. Locsin, Jr.
Francisco H. Licuanan III	Ramon R. del Rosario, Jr.
Mercedita S. Nolleto	Delfin L. Lazaro
Ariston Estrada, Jr.	

Fernando Zobel de Ayala, 41, has served as Chairman of the Board of Director of ALI since 1999. He is also an Executive Managing Director for International Operations, Co-Vice Chairman of the Board of Directors, Member of the Executive Committee of Ayala Corporation. His other significant positions include: Chairman of Ayala Automotive Holdings, Inc., Roxas Land Corporation, and Laguna Properties Holdings, Inc. (LPHI); Chairman and President of Alabang Commercial Corporation; Co-Vice Chairman and Trustee of Ayala Foundation, Inc.; Director of the Bank of the Philippine Islands, Globe Telecom, Inc., AC International Finance Ltd., Ayala International Pte. Ltd., Ayala Hotels Inc. (AHI), Integrated Microelectronics Inc. (IMI), and Ayala DBS Holdings, Inc.; Director of Caritas Manila, Co-Chairman of Philippines-Japan Economic Cooperation Committee, Member of Asian Institute of Management Policy Forum, Harvard Club of the Philippines and Makati Business Club.

Jaime Augusto Zobel de Ayala II, 42, has served as Director and member of the Executive Committee of ALI since 1988. He also serves as the Vice Chairman of the Board of Directors, Member of the Executive Committee and Management Committee and President of Ayala Corporation; Chairman of the Board of Directors of Globe Telecom, Inc.; Vice Chairman of the Board of Directors and Chairman of the Executive Committee of the Bank of the Philippine Islands. His other significant positions include: Co-Vice Chairman and Trustee of Ayala Foundation, Inc.; Chairman of the Board of Directors of Ayala International Pte. Ltd., Ayala Hotels Inc. (AHI), Integrated Microelectronics Inc. (IMI), Electronic Assemblies, Inc. (EAI), Ayala Systems Technology, Inc. (ASTI), EDINet Philippines, Inc. iAyala Company, Inc., Ayala Internet Venture Partners, Inc., and Ayala Port Makati, Inc.; Member of the Board of Directors of Roxas Land Corporation, Laguna Properties Holdings, Inc., (LPHI) and Alabang Commercial Corporation; 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.

Francisco H. Licuanan III, 57, has served as Director and President of ALI since 1988. His concurrent positions are: Senior Managing Director and member of the Management Committee of Ayala Corporation; Director and President of Ayala Hotels, Inc. (AHI), Enjoy, Inc. (EHI), Aurora Properties Holdings Inc., Vesta Properties Holdings, Inc., and Roxas Land Corporation; Chairman of the Board of Directors of Cebu Holdings, Inc. (CHI), Laguna Technopark Inc., Makati Development Corporation (MDC), Gammon Philippines Inc., Makati Property Ventures Inc., Cebu Property Ventures Development Corporation, Cebu Insular Hotel Inc., CPAC Monier Phils. Inc.; Director of Ayala Aviation Corporation, Alabang Commercial Corporation, Laguna Properties Holdings Inc. (Vice Chairman), Manila Water Company, Philippine Hoteliers Inc., Metro Rail Transit Corporation and Ayala International Properties Pte. Ltd. He also serves as Member of the Board of Trustees of Ayala Foundation, Inc. (AFI).

Mercedita S. Nolleto, 60, has served as Director, Treasurer and Corporate Secretary of ALI since 1994. She also serves as Senior Managing Director and Corporate Secretary of Ayala Corporation, and General Counsel of the Ayala Group of Companies. Her other significant positions include: Chairman of the Board of Directors of Ayala Property Management Corporation (APMC); Director of Cebu Holdings, Inc. (CHI), Ayala Hotels, Inc. (AHI), Enjoy Hotels Inc. (EHI), Alabang Commercial Corporation, and Laguna Technopark, Inc. (LTI); Corporate Secretary and Member of the Board of Trustees of Ayala Foundation, Inc. (AFI); Director and Treasurer of Ayala

Infrastructure Ventures Inc., Makati Property Ventures Inc., Aurora Properties Inc., Vesta Property Holdings Inc., and Laguna Properties Holdings, Inc. (LPHI); and Director of Cebu Insular Hotel Co. Inc., Cebu Leisure Co. Inc., Ayala Automotive Holdings, Inc., and the Bank of the Philippine Islands. She also serves as Treasurer of Makati Development Corporation, and Roxas Land Corporation.

Ariston Estrada, Jr., 61, has served as director of ALI since 1998. He also serves as Director and Adviser to the Chairman of Ayala Corporation. His other significant positions include: Director and Chairman of the Audit Committee of Bank of the Philippine Islands (BPI); Director of Ayala Aon Risk Services, Inc., Ayala Automotive Holdings, Inc., and Ayala DBS Holdings, Inc.

Delfin L. Lazaro, 56, 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 the Ayala Corporation; Director and Chairman of the Executive Committee of Globe Telecom, Inc.; President of Ayala Infrastructure Ventures. 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.

Ramon R. del Rosario, Jr., 56, has served as Director of ALI since 1994. He also serves as Chairman and CEO of Asian Bank Corporation, AB Leasing & Finance Corp., Stock Transfer Service, Inc.; Vice Chairman of Phinma; Director of Phinma Foundation, Inc., Bacnotan Steel Industries, Inc., Union Cement Corp., and Walden AB Ayala Ventures Co., Inc.

Leandro Y. Loacin, Jr., 39, has served as Director of ALI since 1994. He also serves as Administrator and Design Consultant of Leandro V. Loacin 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, Yntalco Realty Investment and Vesta Holdings Corp.

Manuel Q. Bengson, 56, has served as Director of ALI since 1999. He also serves as Senior Managing Director, Treasurer and member of the Management Committee of Ayala Corporation. His other significant positions include: Chairman and President of Michigan Holdings, Inc.; and Director of Globe Telecom, Inc.

Management Committee Members / Key Officers

Francisco H. Licuanan III *	President
Mercedita S. Nolloledo*	Executive Vice President, Treasurer & Corporate Secretary
Vincent Y. Tan	Executive Vice President
Renato O. Marzan	Assistant Corporate Secretary
Ma. Victoria E. Añonuevo	Vice President
Miriam O. Katigbak	Senior Vice President
Manuel J. Colayco, Jr.	Senior Vice President
Jose Rene D. Almendras	Vice President
Ricardo N. Jacinto	Vice President
Angela V. Lacson	Vice President
Emilio J. Tumbocon	Vice President
Jaime E. Ysmael	Vice President & Comptroller
Marcelo M. Casillan	Vice President & Consultant
Cynthia H. Poblador	Vice President
Eliezer C. Tanlapco	Vice President

* *Members of the Board*

Vincent Y. Tan, 51, is Executive Vice-President, member of the Management Committee and Head of the Planning Group of ALI. His other positions include: Director and President of Laguna Technopark, Inc.; President

of ALInet.com, Inc.; Director of Metro Rail Transit Corporation, Aurora Properties, Inc., Vesta Property Holdings, Inc., Ayala Port Makati, Inc., myAyala.Com, Inc., CMPI Holdings, Inc., and CMPI Land, Inc.

Renato O. Marzan, 53, is the Assistant Corporate Secretary of ALI. He also serves as Managing Director of Ayala Corporation; Director and Corporate Secretary of Michigan Holdings, Inc. and Cebu Insular Hotel Co. Inc.; Corporate Secretary of Globe Telecom, Inc., Ayala Aviation Corporation, EDINet Philippines, Inc., Laguna Properties Holdings, Inc. (LPHI), Ayala Systems Technology, Inc., iAyala Company, Inc., Ayala Internet Venture Partners, Inc., Ayala Port, Inc., and Ayala Port Makati, Inc.; and Assistant Corporate Secretary of Mermac, Inc., Ayala Corporation, Ayala Foundation, Inc., Ayala Hotels, Inc., Ayala Automotive Holdings, Inc., Laguna Technopark, Inc., Integrated Microelectronics, Inc. (IMI) and Electronic Assemblies, Inc. (EAI).

Miriam O. Katigbak, 48, is Senior Vice-President, member of the Management Committee and Head of the Commercial Centers Group of ALI. Her other significant positions include: Director of Cebu Holdings, Inc. and Alabang Commercial Corporation; President of Ayala Theaters Management, Inc., Food Court Company, Inc., and ALI-Concepcion Industries, Inc.; Vice-President and Director of Leisure Allied Industries (Phils.); Board member of Lagoon Development Corporation and Governor of Ayala Center Association.

Manuel J. Colayco, 63, is Senior Vice-President and member of the Management Committee of ALI. He is 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.

Ma. Victoria E. Añonuevo, 52, is Vice-President and Member of the Management Committee of ALI. She also serves as Head of the Sales & Marketing Services Group of ALI. Since she joined ALI in 1983, she held key positions in various departments/groups of ALI including Market Research Department and Project Development Group.

Jose Rene D. Almendras, 41, is Vice-President assigned to the VisMin group and a member of the Management Committee of ALI. His other significant positions included: President and Director of Cebu Holdings, Inc. and Cebu Property Ventures and Development Corporation; Chairman of the Board of City Sports Club Cebu; and Director of Cebu Insular Hotel, Inc.

Ricardo N. Jacinto, 41, is Vice-President, member of the Management Committee and Head of the Land and Community Development Group of ALI. Concurrently, he is a Managing Director of Ayala Corporation. He was a Vice-President at Bankers Trust Company from 1994 to 1996.

Angela V. Lacson, 55, joined ALI in July 1999, as Vice-President and Head of the Residential Buildings Group. A member of the Management Committee of ALI, she is also presently Head of the Core-Mid Group and General Manager of Roxas Land Corporation. Prior to joining ALI, she was VP 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).

Emilio J. Tumbocon, 45, is Vice-President, member of the Management Committee and Head of the Construction Group of ALI. His other significant positions include: President of Makati Development Corporation; Director of Lagoon Development Corporation; and member of the Management Committee of Roxas Land Corporation and Makati Property Ventures, Inc.

Jaime E. Ysmael, 41, is Vice-President, Comptroller and member of the Management Committee of ALI. Concurrently, he is a Managing Director of Ayala Corporation. His other significant positions include: Director of Alabang Theaters Management Corporation, Ayala Theaters Management, Inc., Makati Property Ventures, Inc., Greenbelt Theaters Management, Inc., Makati Theaters, Inc., Tower One Condo Corporation; Director and Treasurer of Cebu Insular Hotel Co., Inc.; and CFO of Roxas Land Corporation.

Marcelo M. Casillan, Jr., 64, is Vice President and Consultant of ALI. He is also currently the President of Ayala Property Management Corporation. His experience in property management encompasses 37 years.

Ma. Cynthia H. Poblador, 48, is Vice President of ALI and Head of the Legal Department. She also serves as Corporate Secretary of Retirement Sales, Inc.

Eliezer C. Tanlapco, 52, joined ALI last May 1999 as Vice President for Human Resources. Prior to joining ALI, his work experience/positions included: Director of Human Resources and ASEAN HR Services in Lucent Technologies; HR Director for Dole Philippines, Inc., and HR Manager of Dole Packaged Foods Company in San Francisco, CA.; Plant Operations Manager and Corporate Personnel Manager of Pepsi Cola Philippines. He also practiced law with Neptali Gonzales & Associates, and the Office of the President of the Philippines. He has been an HR professional for over 20 years.

ANNEX “B”
Market Price and Dividends

Market Price

Philippine Stock Exchange
Prices (in PhP/share)

	<u>High</u>		<u>Low</u>		<u>Close</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
First Quarter	5.20	8.96*	5.00	4.75*	5.50	5.67*
Second Quarter	6.00	6.20*	4.50	4.00*	5.40	5.50*
Third Quarter	5.40	6.10	4.20	4.65	4.30	4.70
Fourth Quarter	5.00	5.70	3.55	3.90	4.85	5.40

**Adjusted for the 20% stock dividend in 2000.*

The market capitalization of ALI as of end-2001, based on the closing price of P4.85/share, was approximately P51.9 billion.

Dividends

STOCK DIVIDEND (Per Share)		
<u>PERCENT</u>	<u>RECORD DATE</u>	<u>PAYMENT DATE</u>
20%	May 7, 1998	June 19, 1998
20%	May 16, 2000	June 26, 2000

CASH DIVIDEND (Per Share)		
<u>PESO AMOUNT</u>	<u>RECORD DATE</u>	<u>PAYMENT DATE</u>
0.03	April 14, 2000	May 14, 2000
0.03	January 12, 2001	February 23, 2001
0.03	July 13, 2001	August 24, 1999
0.03	January 11, 2002	February 22, 2002

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.

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.

Nature and Scope of Business

The Company is one of the largest real estate conglomerates in the Philippines engaged principally in the planning, development, subdivision and marketing of large-scale communities having a mix of residential, commercial and other uses. The Company, through various subsidiaries, is also engaged in the development and sale of industrial lots, as well as the development of hotel and serviced apartments. The Company also constructs office and/ or residential condominiums and buildings for sale or lease. It has also begun to develop and sell high-end house-and-lots packages in its residential developments and, through its subsidiaries, continues to develop and sell mass housing units.

The Company is also engaged in the development of commercial centers and leases to third parties retail space and land therein. Through its subsidiaries, it also operates movie theatres in these commercial centers and has recently ventured into the operation of food courts and entertainment facilities to complement its commercial center operations.

The Company, through its subsidiary Makati Development Corporation, which is primarily responsible for horizontal land development of the projects of the Company and its subsidiaries, also provides third party construction services for industrial building and government infrastructure projects.

In 2000, the Company also engaged in information technology-related ventures with its incorporation of ALInet.com, a 50-50 joint venture with Ayala Corporation's iAyala Company, Inc. The joint venture is responsible for the launch in June 2000 of myAyala.com, an online shopping mall.

SEC Number 152747
File Number _____

AYALA LAND, INC. AND SUBSIDIARIES

(Company's Full Name)

Tower One, Ayala Triangle, Ayala Avenue, Makati City

(Company's Address)

848-5772

(Telephone Number)

December 31, 2001

(Calendar Year Ended)

SEC FORM 17-A

Form Type

Amendment Designation (if applicable)

Period Ended Date

(Secondary License Type and File Number)



SGV & Co

A member firm of Andersen Worldwide

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2001 AND 2000 AND
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED
DECEMBER 31, 2001



Report of Independent Public Accountants

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, 2001 and 2000, 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, 2001. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the Philippines.

PTR No. 6723204
January 2, 2002
Makati City

February 14, 2002



SGV & Co

Report of Independent Public Accountants

SyCip Gorres Velayo & Co
A member firm of Arthur Andersen

6760 Ayala Avenue
1226 Makati City
Philippines

Tel 632 891 0307
Fax 632 819 0872

www.sgv.com.ph

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

We have audited the accompanying consolidated balance sheets of Ayala Land, Inc. and Subsidiaries as of December 31, 2001 and 2000, 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, 2001. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the Philippines.

D. L. BALANGUE
Partner
CPA Certificate No. 25269
PTR No. 6723204
January 2, 2002
Makati City

February 14, 2002



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

	December 31	
	2001	2000
ASSETS		
Current Assets		
Cash and cash equivalents	P6,737,331	P4,108,929
Accounts and notes receivable - net (Notes 3 and 12)	4,278,597	3,690,390
Subdivision land for sale	4,591,768	4,710,215
Condominium and residential units for sale	4,164,684	4,715,325
Other current assets (Note 11)	980,185	1,116,121
Total Current Assets	20,752,565	18,340,980
Noncurrent Accounts and Notes Receivable (Note 3)	2,434,020	2,409,066
Land and Improvements (Note 7)	20,162,936	19,524,353
Investments - net (Notes 4 and 7)	16,697,723	16,004,715
Property and Equipment - net (Notes 5 and 7)	1,011,518	948,031
Other Assets (Note 11)	890,283	727,322
	P61,949,045	P57,954,467
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 6 and 12)	P5,060,140	P4,761,820
Loans payable (Note 7)	760,000	233,000
Income tax payable	315,555	292,240
Current portion of:		
Long-term debt (Note 7)	6,418,957	375,804
Estimated liability for land and property development	859,291	1,168,245
Other current liabilities (Note 11)	530,588	496,749
Total Current Liabilities	13,944,531	7,327,858
Long-term Debt - net of current portion (Note 7)	3,741,071	7,703,834
Noncurrent Liabilities and Deposits (Notes 8, 11 and 12)	2,625,666	2,678,437
Estimated Liability for Land and Property Development - net of current portion	643,559	451,587
Minority Interest in Consolidated Subsidiaries	5,803,955	6,233,046
Stockholders' Equity (Notes 7 and 9)	35,190,263	33,559,705
	P61,949,045	P57,954,467

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		
	2001	2000	1999
REVENUES			
Real estate (Note 12)	₱9,104,315	₱7,793,667	₱6,593,233
Hotel operations	1,320,417	1,185,091	847,927
Interest, fees, investment and other income (Notes 4 and 12)	1,267,894	1,326,857	1,499,133
	11,692,626	10,305,615	8,940,293
COSTS AND EXPENSES			
Real estate (Note 12)	5,616,815	4,903,218	3,078,714
Hotel operations	1,055,530	945,521	730,136
General and administrative expenses (Notes 10 and 13)	1,064,646	1,029,905	794,234
Interest and other charges (Note 7)	783,524	799,656	418,251
Provision for income tax (Note 11)	918,847	631,849	1,183,568
	9,439,362	8,310,149	6,204,903
INCOME BEFORE NET EARNINGS (LOSS)			
APPLICABLE TO MINORITY INTEREST	2,253,264	1,995,466	2,735,390
NET EARNINGS (LOSS) APPLICABLE TO			
MINORITY INTEREST	(34,019)	151,261	134,045
NET INCOME	₱2,287,283	₱1,844,205	₱2,601,345
Earnings Per Share (Note 14)	₱0.21	₱0.17	₱0.24

See accompanying Notes to Consolidated Financial Statements.



AYALA LAND, INC. AND SUBSIDIARIES

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts in Thousands)

	Years Ended December 31		
	2001	2000	1999
CAPITAL STOCK - ₱1 par value (Note 9)			
Issued			
Balance at beginning of year	₱10,684,075	₱8,893,551	₱8,893,409
Issuance of shares	235	7,326	142
Stock options exercised	—	4,477	—
Stock dividends	—	1,778,721	—
Balance at end of year	10,684,310	10,684,075	8,893,551
Subscribed (Notes 9 and 15)			
Balance at beginning of year	9,046	14,066	14,208
Issuance of shares	(235)	(7,326)	(142)
Stock options exercised (cancelled)	211	(492)	—
Stock dividends	—	2,798	—
Balance at end of year	9,022	9,046	14,066
ADDITIONAL PAID-IN CAPITAL (Notes 9 and 15)			
Balance at beginning of year	3,063,340	3,181,759	3,181,759
Cancellation of stock options	(49,571)	(118,419)	—
Balance at end of year	3,013,769	3,063,340	3,181,759
SUBSCRIPTIONS RECEIVABLE (Notes 9 and 15)			
Balance at beginning of year	(56,494)	(176,532)	(203,362)
Stock options exercised - net	34,228	120,038	26,830
Balance at end of year	(22,266)	(56,494)	(176,532)
	13,684,835	13,699,967	11,912,844
TRANSLATION ADJUSTMENT			
Balance at beginning of year	—	—	39,331
Reversal	—	—	(39,331)
Balance at end of year	—	—	—
RETAINED EARNINGS (Note 9)			
Appropriated for future expansion	6,000,000	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	13,860,295	14,385,631	12,318,742
Cash dividends - ₱0.06 per share	(641,593)	(588,022)	(534,456)
Stock dividends - 20%	—	(1,781,519)	—
Net income	2,287,283	1,844,205	2,601,345
Balance at end of year	15,505,985	13,860,295	14,385,631
	21,505,985	19,860,295	20,385,631
TREASURY STOCK (Note 9)			
Balance at beginning of year	(557)	(533)	—
Shares repurchased	—	(24)	(533)
Balance at end of year	(557)	(557)	(533)
	₱35,190,263	₱33,559,705	₱32,297,942

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and net earnings (loss)			
applicable to minority interest	₱3,172,111	₱2,627,315	₱3,918,958
Adjustments to reconcile income before income tax and net earnings (loss) applicable to minority interest to operating income before changes in working capital:			
Depreciation and amortization	752,546	699,894	579,822
Interest expense - net of amount capitalized	542,465	454,385	299,627
Provision for doubtful accounts	23,543	6,054	3,110
Dividends received from affiliates	14,000	29,750	23,738
Interest income	(626,618)	(479,191)	(561,361)
Equity in net earnings of affiliates	(66,824)	(102,453)	(50,861)
Operating income before changes in working capital	3,811,223	3,235,754	4,213,033
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable - trade	(333,343)	245,352	146,497
Subdivision land for sale	118,447	(278,586)	(418,440)
Condominium and residential units for sale	652,954	(130,048)	654,041
Other current assets	68,530	(160,132)	(256,294)
Increase (decrease) in:			
Accounts payable and accrued expenses	331,048	(111,049)	(1,514,161)
Other current liabilities	(152,443)	135,821	40,365
Estimated liability for land and property development	(116,982)	136,825	180,856
Cash generated from operations	4,379,434	3,073,937	3,045,897
Interest received	489,788	372,611	505,387
Income tax paid	(851,879)	(1,043,180)	(704,790)
Interest paid	(575,196)	(408,174)	(328,096)
Net cash provided by operating activities	3,442,147	1,995,194	2,518,398
CASH FLOWS FROM INVESTING ACTIVITIES			
Net additions to:			
Investments	(1,190,856)	(1,019,798)	(1,094,135)
Land and improvements	(299,230)	(1,618,986)	(1,524,422)
Net disposals of (additions to) property and equipment	(232,538)	(196,338)	1,888
Decrease (increase) in:			
Other assets	(206,415)	139,379	4,638
Accounts and notes receivable - nontrade	(166,531)	(467,167)	239,971
Net cash used in investing activities	(2,095,570)	(3,162,910)	(2,372,060)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payments of):			
Long-term debt	2,080,390	702,775	(458,540)
Loans payable	527,000	(261,000)	59,000
Dividends paid	(641,590)	(534,456)	(534,456)
Increase (decrease) in:			
Minority interest in consolidated subsidiaries	(395,072)	(194,097)	480,688
Noncurrent liabilities and deposits	(273,772)	241,711	(647,285)
Proceeds from issuance (cancellation of subscriptions) of capital stock	(15,131)	5,604	26,830
Purchase of treasury shares	-	(24)	-
Net cash provided by (used in) financing activities	1,281,825	(39,487)	(1,073,763)

(Forward)



	Years Ended December 31		
	2001	2000	1999
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	₱2,628,402	(₱1,207,203)	(₱927,425)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,108,929	5,316,132	6,243,557
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱6,737,331	₱4,108,929	₱5,316,132

See accompanying Notes to Consolidated Financial Statements.



AYALA LAND, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

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 averages at 1,657 in 2001 and 1,694 in 2000.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the consolidated financial statements of the Company and its subsidiaries are as follows:

Basis of Preparation

The accompanying consolidated financial statements are prepared in conformity with accounting principles generally accepted in the Philippines and under the historical cost convention.

Adoption of New Statements of Financial Accounting Standards (SFAS)

The Company and its subsidiaries adopted the following SFAS which became effective in 2001:

- SFAS No. 1 (revised 2000), Presentation of Financial Statements;
- SFAS No. 4 (revised 2000), Inventories;
- SFAS No. 13 (revised 2000), Net Income or Loss for the Period, Fundamental Errors and Changes in Accounting Policies; and
- SFAS No. 22 (revised 2000), Cash Flow Statements.

Following the new presentation rules under SFAS No. 1 (revised 2000), Presentation of Financial Statements, prior year consolidated financial statements were restated to follow prescribed formats. Changes made pertain principally to the inclusion of a statement of changes in stockholders' equity and additional disclosures required by such SFAS.

The effect of adopting the new standards on the consolidated financial statements is not material.



Principles of Consolidation

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

	Effective Percentages of Ownership
Real Estate:	
Amorsedia Development Corporation and subsidiaries	100%
OLC Development Corporation	100
Ayala Greenfield Development Corporation (AGDC)	50
Crimson Field Enterprises, Inc.	100
First South Properties, Inc.	100
Five Corners Ventures Corp.	100
Laguna Properties Holdings, Inc. and subsidiaries	100
Las Lucas Development Corporation	100
Liberty Real Holdings Corporation	100
Red Creek Properties, Inc.	100
Aurora Properties Incorporated	70
Vesta Property Holdings, Inc.	70
Laguna Technopark, Inc.	61
CMPI Holdings, Inc.	60
ALI-CII Development Corporation (ALI-CII)	50
Roxas Land Corporation (RLC)	50
Construction:	
Makati Development Corporation	100
Hotels:	
Ayala Hotels, Inc. (AHI) and subsidiaries	50
Property Management:	
Ayala Property Management Corporation	100
Ayala Theatres Management, Inc. and subsidiaries	100
Entertainment:	
Five Star Cinema, Inc.	100
Leisure and Allied Industries Philippines, Inc. (LAI)	50
Others:	
ALInet.com, Inc.	100
Ayala Infrastructure Ventures, Inc.	100
Food Court Company, Inc.	100
MZM Retail Holdings Corporation	100
Studio Ventures, Inc.	100

AC owns the other 50% of AHI and subsidiaries. The Company exercises significant management influence and control over AHI and subsidiaries. Likewise, the Company, through its 50% effective ownership and by virtue of a management contract or shareholders' agreement, exercises significant influence and control over the operation 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.



All significant intercompany transactions and balances are eliminated in consolidation. The excess or deficiency of the Company's and certain subsidiaries' cost of such investments over their proportionate share in the underlying net assets at dates of acquisition which is not identifiable to specific assets is amortized on a straight-line basis over a period of ten years.

Revenue 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 provide improvements 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 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.

Revenues from construction contracts of a subsidiary are recognized using the percentage of completion method of accounting, measured principally on the basis of the estimated completion of a physical proportion of the contract work, or on actual direct and indirect costs incurred plus a percentage mark-up.

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

Revenues from rent as well as management fees from administrative and property management are recognized when earned.

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 changes in value.

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 and include those costs incurred for development and improvement of the properties.



Land and Improvements

Land and improvements are carried at the lower of aggregate costs or net realizable value and include those costs incurred for development and improvement of the properties. The aggregate net realizable value on a per location basis is substantially in excess of costs.

Investments

Investments in shares of stock of companies in which the Company owns 20% to 50% of the outstanding voting shares, other than the 50% owned consolidated subsidiaries, are recorded at cost increased or decreased by the Company's equity in the net earnings or losses of the investees. Equity in net earnings or losses is adjusted for the straight-line amortization over a 10-year period of the difference between the Company's cost of such investments and its proportionate share in the underlying net assets at dates of acquisition which are not identifiable to specific assets. Unrealized intercompany profits are also eliminated. Dividends received are recorded as a reduction in the carrying value of the investments.

Investments in shares of stock of companies in which the Company and certain subsidiaries do not exercise significant influence and investments in land are carried at cost. Land improvements, buildings and hotel property and equipment are carried at cost less accumulated amortization and depreciation. Amortization and depreciation are computed on the straight-line method over the estimated useful lives of the assets.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets ranging from three to forty years. Leasehold improvements are being amortized over the shorter of the estimated useful lives of the improvements or the terms of the leases.

Minor repairs and maintenance are charged to expense as incurred; significant renewals and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is credited or charged to operations.

Preoperating Expenses

Expenses incurred by certain subsidiaries prior to the start of their commercial operations have been capitalized and are amortized over a period of five to ten years from the start of commercial operations.

Retirement Costs

The Company's and certain subsidiaries' retirement costs are determined using various methods such as the entry age normal and the projected unit credit methods.

Under the entry age normal method, each employee is assumed to have entered the plan when first employed or as soon as he or she became eligible. Under this method, the current service cost is a level annual amount or a fixed percentage of salary which, when invested at the rate of interest assumed in the actuarial valuation, is sufficient to provide the required retirement benefit at the employee's retirement.



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.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to (a) differences between the financial reporting bases of assets and liabilities and their related tax bases and (b) net operating loss carryover (NOLCO). Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled and NOLCO is expected to be applied. The effect on the deferred tax assets and liabilities arising from any change in the applicable income tax rates is included in the provision for deferred income tax for the year.

An allowance is provided for deferred tax assets which are not reasonably expected to be realized in the future. Any change in the valuation allowance on deferred tax assets is included in the computation of the provision for deferred income tax for the year.

Borrowing Costs

Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized as part of development costs (included under "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 ceases when substantially all the activities necessary to prepare the property for its intended use or sale are complete.

Foreign Currency Transactions

Foreign currency assets and liabilities are stated at the 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 except as stated otherwise.

Exchange gains or losses of AHI relating to the restatement of its long-term dollar loans obtained to construct the hotel property are capitalized to hotel property and equipment. AHI's exchange gains or losses on other long-term loans were deferred and amortized until 2000.

Interest Rate Swap

In 1999, the Company entered into an interest rate swap agreement to reduce the impact of interest rate changes. The differentials paid or received under this interest rate swap agreement are charged or credited to interest expense.

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 plus interest expense (net of income tax) on convertible long-term commercial papers by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversions and the retroactive effect of stock dividends declared.



3. Accounts and Notes Receivable

Accounts and notes receivable are summarized as follows:

	2001	2000
	(In Thousands)	
Trade (net of unrealized gain of ₱421,526 in 2001 and ₱294,205 in 2000)	₱4,489,581	₱4,156,238
Affiliated companies (see Note 12)	872,340	744,019
Advances to contractors	119,395	105,469
Accrued receivables	35,913	27,044
Advances and others	1,284,068	1,131,823
	6,801,297	6,164,593
Less allowance for doubtful accounts	88,680	65,137
	6,712,617	6,099,456
Less noncurrent portion	2,434,020	2,409,066
	₱4,278,597	₱3,690,390

4. Investments

This account consists of investments in:

	2001	2000
	(In Thousands)	
Shares of stock:		
At equity:		
Acquisition cost	₱2,462,375	₱2,380,779
Accumulated equity in net earnings:		
Balance at beginning of year	553,036	480,333
Equity in net earnings for the year	66,824	102,453
Dividends received during the year	(14,000)	(29,750)
Balance at end of year	605,860	553,036
	3,068,235	2,933,815
At cost:		
MRT Holdings, Inc.	855,702	855,702
Others	906,395	1,095,376
	1,762,097	1,951,078
	4,830,332	4,884,893
Land and improvements - net of amortization	1,783,863	1,794,901
Buildings - net of accumulated depreciation of ₱2,115,330 in 2001 and ₱1,860,601 in 2000	6,155,956	5,294,369
Hotel property and equipment - net of accumulated depreciation of ₱978,960 in 2001 and ₱762,663 in 2000	3,927,572	4,030,552
	₱16,697,723	₱16,004,715



The Company's equity in the net assets of its unconsolidated affiliates and the related percentages of ownership are shown below.

	2001 Percentage of Ownership	Equity in Net Assets	
		2001	2000
(In Thousands)			
Cebu Holdings, Inc. and subsidiaries	47	₱1,454,238	₱1,465,167
Pilipinas Makro, Inc.	28	1,037,111	960,391
Alabang Commercial Corporation	50	437,861	460,711
Ayala Port, Inc.	50	71,234	–
Lagoon Development Corporation	30	48,833	47,546
MyAyala.com, Inc.	50	18,958	–
		₱3,068,235	₱2,933,815

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 hotel property and equipment amounted to ₱550.7 million in 2001, ₱489.3 million in 2000, and ₱420.5 million in 1999. Consolidated amortization of land improvements amounted to ₱14.5 million in 2001, ₱18.4 million in 2000 and ₱17.7 million in 1999.

5. Property and Equipment

This account consists of:

	2001	2000
(In Thousands)		
Land, buildings and improvements	₱579,054	₱542,952
Construction equipment	738,330	638,777
Furniture, fixtures and equipment	307,427	320,658
Transportation equipment	193,765	204,279
	1,818,576	1,706,666
Less accumulated depreciation and amortization	807,058	758,635
	₱1,011,518	₱948,031

Consolidated depreciation and amortization of property and equipment (charged to various expense and development cost accounts) amounted to ₱169.0 million in 2001, ₱163.1 million in 2000 and ₱129.2 million in 1999.



6. Accounts Payable and Accrued Expenses

This account consists of:

	2001	2000
	(In Thousands)	
Accounts payable	P1,449,808	P1,391,148
Dividends payable	485,859	320,794
Affiliated companies (see Note 12)	438,050	633,349
Taxes payable	279,845	131,829
Retentions payable	55,877	76,359
Accrued expenses and others	2,350,701	2,208,341
	P5,060,140	P4,761,820

7. Loans Payable and Long-term Debt

Loans payable of P760 million in 2001 and P233 million in 2000 represent peso-denominated short-term borrowings from banks by the Company and its subsidiaries with interests at prevailing market rates.

Long-term debt consists of:

	2001	2000
	(In Thousands)	
Parent Company:		
Long-term commercial papers (LTCPs):		
6%	P3,998,200	P3,998,200
91-day treasury bill rate + 7/8%	2,000,000	2,000,000
Bank loans - at prevailing market rates	2,170,000	-
	8,168,200	5,998,200
Subsidiaries:		
Bank loans - at prevailing market rates:		
Philippine peso	722,322	623,513
Foreign currency	1,269,506	1,457,925
	1,991,828	2,081,438
	10,160,028	8,079,638
Less current portion	6,418,957	375,804
	P3,741,071	P7,703,834

In 1997, the Company issued LTCPs totalling P6 billion, of which P4 billion are convertible at the option of the holders into shares of stock of the Company based on a predetermined formula. Unless previously converted, prepaid or purchased, the convertible LTCPs will mature on March 19, 2002. As of December 31, 2001, total conversions of LTCPs into shares of stock of the Company amounted to P1.8 million.

In 1999, the Company entered into an interest rate swap agreement fixing the interest rates of P1 billion LTCPs at 12.56% until July 2001.



The Company's unsecured bank loans are payable in various quarterly installments up to 2006; while the subsidiaries' loans, which are collateralized by mortgages on certain parcels of land, hotel building, property and equipment and by assignment of leasehold rights, will mature on various dates up to 2008.

The loan agreements contain some or all of the following restrictions: payment of dividends; advances to or investment in parent company; availment of additional loans; investments and guaranties; merger and consolidation; maintenance of certain financial ratios; sale, lease, transfer or disposition of a significant portion of assets; and changes or material amendments in the character of business, except under certain conditions.

Interest capitalized amounted to ₱337.0 million in 2001, ₱311.1 million in 2000 and ₱456.0 million in 1999.

On December 7, 2001, the Board of Directors authorized the issuance of bonds, through general public offering, with an aggregate face value of up to ₱2 billion subject to the registration requirements of the Securities and Exchange Commission and the rating process of the Philippine Rating Services Corporation (PhilRatings).

On January 15, 2002, the PhilRatings assigned a PRS Aa rating on the ₱2 billion bond issue indicating the Company's strong capacity to meet its financial commitment on the bond issue.

8. Noncurrent Liabilities and Deposits

Noncurrent liabilities and deposits consist of:

	2001	2000
	(In Thousands)	
Deposits	₱813,937	₱612,775
Retentions payable	521,934	398,671
Deferred tax (see Note 11)	394,458	467,902
Deferred credits	355,027	365,943
Installment payable - net of current portion of ₱147,222	294,445	-
Other liabilities (see Note 12)	245,865	833,146
	₱2,625,666	₱2,678,437

9. Stockholders' Equity

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

	2001	2000	1999
Authorized	12,000,000	12,000,000	12,000,000
Issued	10,684,310	10,684,075	8,893,551
Subscribed	9,022	9,046	14,066
Treasury	(24)	(24)	(19)
	10,693,308	10,693,097	8,907,598



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.

Retained earnings include undistributed net earnings amounting to ₱3,438.4 million, ₱3,888.9 million and ₱4,721.5 million as of December 31, 2001, 2000 and 1999, respectively, representing accumulated equity in the net earnings of subsidiaries and affiliates, which are not available for dividend declaration until received in the form of dividends from the subsidiaries and affiliates.

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

10. General and Administrative Expenses

This account consists of:

	2001	2000	1999
		(In Thousands)	
Manpower cost	₱644,018	₱607,025	₱540,477
Depreciation and amortization	121,017	137,537	122,668
Utilities	73,371	44,324	24,067
Others	226,240	241,019	107,022
	₱1,064,646	₱1,029,905	794,234

11. Income Taxes

Components of the deferred tax assets and liabilities as of December 31, 2001 and 2000 are as follows:

	2001	2000
		(In Thousands)
Deferred tax assets on:		
NOLCO	₱277,156	₱49,035
Unrealized gain, deposits and provisions for various expenses on real estate transactions	114,488	170,444
Allowance for doubtful accounts	28,378	20,844
Unrealized foreign exchange loss	5,897	77,850
	425,919	318,173
Less valuation allowance	202,573	62,998
	223,346	255,175
Deferred tax liabilities on capitalized customs duties, interest and other expenses	(457,496)	(445,672)
	(₱234,150)	(₱190,497)



The net current and noncurrent components of deferred tax assets and liabilities are included in the following accounts in the consolidated balance sheets:

	2001	2000
	(In Thousands)	
Other current assets	₱237,928	₱305,334
Other assets	194,126	204,757
Other current liabilities	(271,746)	(232,686)
Noncurrent liabilities and deposits (see Note 8)	(394,458)	(467,902)
	(₱234,150)	(₱190,497)

Provision for income tax consists of:

	2001	2000	1999
	(In Thousands)		
Current	₱875,194	₱1,014,210	₱865,680
Deferred	43,653	(382,361)	317,888
	₱918,847	₱631,849	₱1,183,568

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

	2001	2000	1999
Statutory income tax rate	32.00%	32.00%	33.00%
Tax effect of:			
Equity in net earnings of affiliates	(0.67)	(1.25)	(0.43)
Income subjected to lower income tax rates (see Note 17)	(1.79)	(1.13)	(0.45)
Interest income and capital gains taxed at lower rates	(4.62)	(3.47)	(3.36)
Others - net	4.05	(2.10)	1.44
Effective income tax rate	28.97%	24.05%	30.20%

12. Related Party Transactions

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with each other and with unconsolidated affiliates principally consisting of advances and reimbursement of expenses, purchase and sale of real properties, construction contracts, and management, marketing, and administrative service agreements.

Revenues from transactions with unconsolidated affiliates amounted to ₱567.9 million in 2001, ₱220.1 million in 2000 and ₱247.5 in 1999.



The consolidated balance sheets include the following amounts resulting from transactions with unconsolidated affiliates:

	2001	2000
	(In Thousands)	
Accounts and notes receivable - affiliated companies	₱872,340	₱744,019
Accounts payable and accrued expenses - affiliated companies	(438,050)	(633,349)
Noncurrent liabilities and deposits - other liabilities	(72,363)	-
	₱361,927	₱110,670

The effects of transactions with unconsolidated affiliates and related interests are shown under the appropriate accounts in the consolidated financial statements.

13. Retirement Plan

The Company and its subsidiaries have funded, noncontributory tax-qualified defined contribution type of retirement plans covering substantially all of their employees. The benefits are based on defined contribution formula with minimum lumpsum guarantee of 1.5 months' basic salary per year of service. The consolidated retirement costs charged to operations amounted to ₱68.2 million in 2001, ₱61.6 million in 2000 and ₱74.1 million in 1999.

Based on the latest actuarial valuations of the Company and its subsidiaries, the aggregate actuarial present value of pension benefits amounted to ₱191.8 million. The aggregate fair value of their respective plan assets amounted to ₱315.0 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.

14. Earnings Per Share

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

	2001	2000	1999
a. Net income	₱2,287,283	₱1,844,205	₱2,601,345
b. Weighted average number of common shares	10,693,190	10,690,113	10,689,140
c. EPS (a/b)	₱0.21	₱0.17	₱0.24

The assumed conversion of the Company's LTCPs into common shares (see Note 7) has no dilutive effect in 2001, 2000 and 1999. Accordingly, no diluted EPS is presented in the accompanying consolidated statements of income for such years.

Weighted average number of common shares outstanding and EPS for 1999 have been restated to reflect the 20% stock dividend in 2000.



15. 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 in 1991. The plans provided for an initial subscription price of shares subject to each option granted equivalent to 85% of the initial offer price. Any subsequent subscriptions shall be paid for at a price equivalent to 85% of the average closing price for the month prior to the month of eligibility under ESOP and the average closing price for the month prior to the month of eligibility under ESOWN.

The qualified officers and employees shall pay for the shares subscribed under the plans through installments over a maximum period of 10 years. The shares of stock have a holding period of five years and the employees must remain with the Company or any of its subsidiaries over such period. The plans also restrict the sale or assignment of such shares for five years from dates of subscription.

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

In June 2000, the Company offered all its ESOP subscribers with outstanding subscriptions the options to either cancel their subscriptions, convert their payments on outstanding subscriptions to fully paid shares or maintain their existing subscriptions. The availments of the cancellation or conversion options have resulted in the reduction in the subscribed capital stock, additional paid-in capital and subscriptions receivable of the Company.

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. The availments of the cancellation have resulted in the reduction of subscribed capital stock, additional paid-in capital and subscriptions receivable of the Company.

16. Note to Consolidated Statements of Cash Flows

The principal noncash transaction of the Company relates to land purchased on installment amounting to ₱442 million in 2001.

17. Registration with the Board of Investments (BOI) and Philippine Economic Zone Authority (PEZA)

A certain subsidiary is registered with PEZA on October 27, 1999. The PEZA registration entitles the subsidiary to certain incentives under Republic Act No. 7916 as amended, which includes the 5% gross income tax in lieu of all national and local taxes except for real property tax. Prior to said date, the subsidiary was registered with the BOI as an expanding operator of an industrial estate on a preferred nonpioneer status under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987. In accordance with the registration, the subsidiary is entitled to certain tax and nontax incentives which include, among others, a three-year income tax holiday for its expansion projects.



18. Contingencies

The Company and its subsidiaries are contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or under negotiation, the outcomes 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 effect on the consolidated financial statements.

19. Reclassification of Accounts

Certain accounts in the 2000 consolidated financial statements were reclassified to conform with the 2001 presentation.

