AYALA LAND, INC.

NOTICE OF REGULAR ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the regular annual meeting of stockholders of **AYALA LAND, INC.** will be held at the Grand Ballrom, Hotel InterContinental Manila, Ayala Center, Makati City, on **Wednesday, 2 April 2003** at **9:00 a.m.** with the following

A G E N D A

1. Proof of Notice and Determination of Quorum

2. Approval of Minutes of Previous Meeting

3. Annual Report

4. New Business
   - 4.1 Ratification of all Acts and Resolutions of the Board of Directors and of the Executive Committee adopted in the ordinary course of business during the preceding year.
   - 4.2 Approval of delegation of the authority to amend the By-laws to the Board of Directors.
   - 4.3 Approval of Director's Remuneration.

5. Election of Directors (including the Independent Directors)

6. Election of Auditors and Fixing of their Remuneration

7. Consideration of such other business as may properly come before the meeting

8. Adjournment

Only stockholders of record at the close of business on **14 February 2003** are entitled to notice of, and to vote at, this meeting. As per By-Laws, the Stock and Transfer Books of the Corporation will be closed from **13 March to 2 April 2003**, inclusive. For your convenience in registering your attendance, please bring the enclosed Stockholders' Identification Card and present the same at the registration desk at the entrance lobby of the Grand Ballroom, Hotel Inter-Continental Manila. Registration will start at 7:00 a.m.

Makati City, 5 February 2003.

FOR THE BOARD OF DIRECTORS

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

We are not soliciting your proxy. However, if you would be unable to attend the meeting but would like to be represented thereat, you may accomplish the enclosed proxy form and submit the same to the Office of the Corporate Secretary on or before 24 March 2003. You may use the enclosed reply envelope for this purpose. Validation of proxies shall be held on 26 March 2003 at 9:00 a.m. at the Office of the Corporate Secretary.

Thank you.

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) 848-5772/841-5333

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

Date	-	2 April 2003
Time	-	9:00 A.M.
Place	-	Grand Ballroom Hotel InterContinental Manila Ayala Center, Makati City

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

    10 March 2003

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	10,693,696,793 (net of 24,081 Treasury shares)

c. Amount of Debt Outstanding as of 31 December 2002

(interest-bearing payables; current and long-term; including LTCPs) P 10.87 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 2002, excluding the 115,030,578 underlying shares for the P 4 Billion Long Term Commercial Paper (LTCP) which have been approved for listing, and the 20,462,755 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	-	2 April 2003
Time	-	9:00 A.M.
Place	-	Grand Ballroom Hotel InterContinental Manila Ayala Center, Makati City
Principal Office	-	31 Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226

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

10 March 2003

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 2002: 10,693,696,793 Common Shares

Number of Votes Entitled: one (1) vote per share

b) All stockholders of record as of 14 February 2003 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 2002.

Type of Class	NAME / ADDRESS	NO. OF SHARES	RECORD/ BENEFICIAL	PERCENTAGE
Common	Ayala Corporation 34F Tower One, Ayala Avenue, Makati	6,724,368,954	(R)	62.88%
Common	PCD Nominee Corporation (Non-Fil) MSE Building, Ayala Avenue, Makati	2,238,782,591	(R)	20.94%
Common	PCD Nominee Corporation (Filipino) MSE Building, Ayala Avenue, Makati	1,006,283,414	(R)	9.41%

Ayala Corporation holds 62.88 % interest. Mermac, Inc. and the Mitsubishi Group own an aggregate of 69.82% 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 30.35% 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. The participants of PCD who owns more than 5% ownership are as follows:

i) Hongkong and Shanghai Banking Corporation holds 13.03% interest.
ii) Standard Chartered Bank (K10) holds 5.48% interest.

2. Security Ownership of Directors and Management as of 31 December 2002.

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)	0.01125275%
Common	Jaime Augusto Zobel de Ayala II	Vice Chairman –Board of Directors & ExCom	33,000	(R)	0.00030859%
Common	Francisco H. Licuanan III	Member – Board of Directors & ExCom; President	1	(R)	0.00000001%
Common	Mercedita S. Nolledo	Member – Board of Directors, Executive Vice President, Treasurer & Corporate Secretary	83,815	(R)	0.00078378%
Common	Manuel Q. Bengson	Member – Board of Directors	1	(R)	0.00000001%
Common	Ramon R. del Rosario, Jr.	Member – Board of Directors	1	(R)	0.00000001%
Common	Ariston Estrada, Jr.	Member – Board of Directors	15,384	(R)	0.00014386%
Common	Delfin L. Lazaro	Member – Board of Directors	1	(R)	0.00000001%
Common	Leandro Y. Locsin, Jr.	Member – Board of Directors	6,540,847	(R)	0.06116544%
Common	Vincent Y. Tan	Executive Vice President	2,271,211	(R)	0.02123878%
Common	Tristan B. dela Rosa	Senior Vice President	0		
Common	Manuel J. Colayco, Jr.	Senior Vice President	97,792	(R)	0.00091448%
Common	Miriam O. Katigbak	Senior Vice President	153,872	(R)	0.00143890%
Common	Ma. Victoria E. Añonuevo	Vice President	411,152	(R)	0.00384481%
Common	Jose Rene D. Almendras	Vice President	0		
Common	Angela V. Lacson	Vice President	0		
Common	Emilio J. Tumbocon	Vice President	219,799	(R)	0.00205541%
Common	Jaime E. Ysmael	Vice President/Chief Finance Officer	173,973	(R)	0.00162687%
Security Ownership of all Directors and Officers			**11,204,185**		**0.10477373%**

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

e) The Corporation knows of no persons holding more than 5% of common shares under a voting trust or similar agreement.

f) 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, including Independent Directors

The following have been nominated as Members of the Board of Directors for the ensuing year calendar year:

Fernando Zobel de Ayala	Jaime Augusto Zobel de Ayala II
Francisco H. Licuanan III	Mercedita S. Nolledo
Leandro Y. Locsin, Jr.	Ramon R. del Rosario, Jr.
Delfin L. Lazaro	Nieves R. Confesor
Aurelio R. Montinola III	

Mssrs. Ramon R. del Rosario, Jr., Leandro Y. Locsin, Jr. and Ms. Nieves R. Confesor will be the independent directors. The list of nominees, as endorsed by the Nominations Committee, will be submitted to the Securities and Exchange Commission before the Annual Stockholders' Meeting on April 2, 2003.

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

Fernando Zobel de Ayala and Jaime Augusto Zobel de Ayala II, Chairman and Vice Chairman of the Board of Directors respectively, 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 62.88% of the total issued and outstanding capital stock of the Company as of 31 December 2002.

Resignation of Directors

Mr. Manuel Q. Bengson, a member of the Board of Directors since 1999, retired from Ayala Corporation effective 1 February 2003. His resignation from the Board of the Corporation is not due to any disagreement with the Corporation's operations, policies and practices.

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

Compensation of Directors & Officers

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

"Section 16 – Each member of the Board of Directors who is neither an officer nor consultant of the Corporation shall be entitled to receive a reasonable per diem in an amount to be determined by the Board of Directors for his attendance in Board meetings. Any additional compensation, other than per diems, to be given to members of the Board of Directors shall be subject to stockholders'."

Officers. The Company adopts a performance-based compensation scheme as incentive. Total compensation paid to all senior personnel from Manager and up amounted to P239.4 million in 2001 and P279.4 million in 2002. The projected total annual compensation for the current year is P307.3 million.

The total annual compensation of the top 10 officers of the Company amounted to P73.9 million in 2001 and P75.7 million for 2002. The projected total annual compensation for the current year is P86.8 million.

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

		Compensation		
Name	Principal Position	2003*	2002	2001
Francisco H. Licuanan III	President			
Mercedita S. Nolledo	Executive Vice President			
Vincent Y.Tan	Executive Vice President			
Tristan B. dela Rosa	Senior Vice President			
Miriam O. Katigbak	Senior Vice President			
Manuel J. Colayco, Jr.	Senior Vice President			
Jose Rene D. Almendras	Vice President			
Ma. Victoria E. Añonuevo	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 86,771,252	P 75,738,920	P 73,949,865

* *Projected Annual Compensation*

	Compensation		
Name	2003*	2002	2001
All Officers** and Directors as a Group	P 307,302,523	P 279,365,930	P 239,351,799

* *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.

Representatives of 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.

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 2002 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.

2002 vs. 2001

By sharply focusing on new niche markets and strengthening its retail rental portfolio, Ayala Land withstood the continued pressure on growth and profitability. The Company ended 2002 with a net income of P2.52 billion, 10% higher than 2001, generated from P12.23 billion of consolidated revenues, which grew by 5% year-on-year.

Leasing operations continued to be the biggest revenue source, with rentals from shopping centers and office buildings contributing P3.33 billion or 27% to total revenues. Ayala Land opened Greenbelt 2 and 3 in May and immediately established the area as the preferred dining and entertainment center. At the end of the year, overall occupancy rate at the Ayala Center averaged at 92%. Without Greenbelt 2 and 3, the Center's occupancy rate averaged at 96%. The 28-unit Residences at Greenbelt was completed last December and is now being offered for lease to augment the Company's rental income. In June, the Company started to develop Market! Market!, a value mall near Fort Bonifacio. As in previous years, Ayala Land's office buildings showed above-market performance with an average occupancy rate of 92% versus MCBD's 85%. The Company's office lease rates also continued to command a premium over those of competitors.

Land sales, mostly from residential subdivisions, amounted to P2.58 billion, accounting for 21% of consolidated revenues. This represented a growth of 21% year-on-year, primarily due to new residential subdivision projects such as the Verdana Homes in Cavite and Ayala Hillside Estates in Quezon City. Targeting the core middle-income market, Verdana Homes offered a total of 457 lots in two phases and proved highly successful with a 99% take-up rate at the end of 2002. Ayala Hillside Estates, a high-end residential community built around a golf course, was launched in September and posted a year-end take-up rate of 87% on the 55 ALI-owned lots in the initial phase of this subdivision. Continuing investments and project enhancements boosted sales at the Ayala South communities. Significantly adding value to Ayala Greenfield Estates was the launch in October of Ayala Greenfield Golf and Leisure Club which re-positioned the subdivision as a golf and leisure community and pushed sales take up to 80% of 363 lots. At Ayala Westgrove Heights, additional phases were offered for sale during the year, bringing cumulative offering to a total of 1,094 lots, 86% of which was taken up by year-end.

Residential unit sales, consisting of condominium, townhouse and single-detached units, contributed P1.57 billion or 13% of total revenues. Strong take-up at One Legaspi Park launched in March 2002 confirmed the Company's assessment of the market prospects for relatively affordable condominium units. At the end of the year, this 369-unit condominium project was 73% taken-up. Additional unit offerings at Montgomery Place and Ferndale Homes continued to generate buyer interest. Three-fourths of the 270 townhouse units at Montgomery Place have been taken up at the end of 2002 while 83% of the 132 house-and-lots at Ferndale Homes were taken up. Despite the difficult market in the luxury condominium segment, sales at the 182-unit One Roxas Triangle improved to 63% at the end of 2002 from 50% in the previous year.

Brisk take-up at the newly-launched projects of Laguna Properties Holdings, Inc. boosted mass housing revenues to P1.45 billion, representing 12% of consolidated revenues and a 77% year-on-year growth. This was a result of a significant increase in booked units sales to 1,121 units in 2002 versus 806 units in the previous year. Including reservations, take up during 2002 totaled to 1,464 units. New projects such as Sta. Catalina Village in Cavite, as well as St. Alexandra Estates and St. Gabriel Heights in Antipolo, outsold competition in their respective areas. Villa Sta. Monica and Hacienda Sta. Monica in Lipa, Batangas offered residential and farm lots during the year and were also well received. A new representative office in Rome was opened in October to tap the overseas workers market in Italy.

Despite the low-rate strategy being adopted in the hotel sector, revenues from hotel operations was almost maintained at P1.31 billion and contributed 11% to total revenues in 2002. Higher occupancy rates allowed the Company to even out the effects of lower room rates. Hotel InterContinental and Oakwood Premier Ayala Center continued to post above-market occupancy rates, both averaging at 75% versus MCBD hotels' average of 66%. Cebu City Marriott Hotel's occupancy rate averaged at 65%, also above Cebu hotel market's 56%.

Construction revenues of P922 million made up 8% of total revenues. This is lower by 41% year-on-year due to the completion in 2001 of Makati Development Corporation's (MDC) big projects such as City Sports Club Cebu and Globe Telecom Building. MDC continued to serve the construction needs of Ayala Land and it subsidiaries which accounted for 64% of its revenues. The balance represented construction contracts, obtained through competitive bids, from both the private and public sectors.

Ayala Land's sound fundamentals continued to be underscored by its strong balance sheet. The Company readily serviced its obligations, including the P6.0 billion long-term commercial papers which matured in March and April 2002. The issuance of a P3.0 billion peso-denominated bond and P1.06 billion fixed rate corporate notes partly funded the Company's requirements for debt servicing, project and capital expenditures, and working capital.

Maintaining its conservative view on borrowings, the Company's interest-bearing debt remained low at P10.87 billion. As such, debt-to-equity and net debt-to-equity ratios were kept at comfortable levels of 0.31:1 and 0.15:1, respectively. Liquidity was well-preserved as seen in the high current ratio of 2.10:1 and cash reserves of P5.71 billion.

Actual project and capital expenditures for 2002 amounted to P2.64 billion, 5% higher than 2001 actual expenditures but 37% lower compared to the P4.2 billion budget for the year. The bulk of the 2002 disbursements was incurred for residential buildings and shopping center projects.

Material Changes in the 2002 Financial Statements
(increase/decrease of 10% or more versus 2001)

<u>*Balance Sheet*</u>

15% decline in Cash and Cash Equivalents
Mainly due to payments in 2002 of the P6B LTCPs of ALI

32% decrease in Condominium and Residential Units for Sale
Primarily due to sale of units at One Roxas Triangle and mass housing projects

94% increase in Non-current Accounts and Notes Receivable
Largely due to increase in sales of various projects of ALI and subsidiaries

14% increase in Property and Equipment
Mainly due to additional investment in ERP software by ALI and its subsidiaries, and purchase of new machinery and equipment by Makati Development Corporation

11% decline in Other Assets
Largely due to decrease in deferred charges of Makati Development Corporation

21% decrease in Accounts Payable and Accrued Expenses

Primarily due to settlement of outstanding accounts payable to suppliers

155% increase in Bank Loans
Mainly due to new loan availments of ALI (parent), Roxas Land Corp. and Laguna Properties Holdings, Inc.

71% increase in Income Tax Payable
Primarily due to higher income in 4Q2002 and higher effective income tax rate

95% decline in Current Portion of Long-term Debt
Largely due to payment of P6B LTCPs of ALI which matured in the first semester of 2002

66% increase in Estimated Liability for Land and Property Development
Primarily due to higher sales at existing and new projects

13% decrease in Other Current Liabilities
Mainly due to decline in deferred income tax of a subsidiary

130% increase in Long-term Debt (net of current portion)
Mainly due to new borrowings, including the P3B bond issued by ALI in 2002

14% increase in Estimated Liability for Land and Property Development (net of current portion)
Primarily due to higher sales at existing and new projects

Income Statement

17% decline in Equity Earnings and Other Income
Mainly due to lower interest income and equity earnings in 2002

25% increase in General and Administrative Expenses
Primarily due to higher payroll and higher amortization of ERP software development costs, as well as overhead costs of new subsidiaries

11% decrease in Interest and Other Charges
Mainly due to lower average effective borrowing rate in 2002

22% increase in Provision for Income Tax
Primarily due to higher income and higher effective income tax rate in 2002

150% increase in Net Earnings (Loss) Applicable to Minority Interest
Mainly due to improved 2002 bottomline of Roxas Land Corporation versus 2001

10% increase in Net Income
Primarily due to higher real estate margins in 2002

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 MCBD 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 P61.7 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 1.5:1 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.

(3) Ayala Land, Inc. adopted the following Statement of Financial Accounting Standards (SFAS) which became effective in 2002:

- SFAS No. 16/IAS No. 16, Property, Plant and Equipment
- SFAS No. 24/IAS No. 24, Related Party Disclosures
- SFAS No. 27/IAS No. 27, Consolidated Financial Statements and Accounting for Investments in Subsidiaries

- SFAS No. 28/IAS No. 28, Accounting for Investments in Associates
- SFAS No. 31/IAS No. 31, Financial Reporting of Interests in Joint Ventures
- SFAS No. 36/IAS No. 36, Impairment of Assets

Adoption of the above new standards in 2002 did not result in restatements of prior year financial statements. Additional disclosures required by the new standards, however, were included in prior year financial statements, where applicable.

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

Legal Proceedings

Certain individuals and entities have claimed an interest in ALI's properties in Las Piñas which are adjacent to Ayala Southvale. Prior to purchasing these properties, ALI conducted an investigation of the titles to the properties and had no notice of any title or claim that was superior to the titles purchased by ALI. ALI traced its titles to their original certificates of title and has established its superior ownership position over said parcels of land. ALI has assessed these adverse claims, the largest of which involves 101 hectares, and has concluded that its titles are in general superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning in October 1993, ALI filed petitions in local regional trial courts for quieting of title to nullify the purported titles or claims of these adverse claimants.

ALI does not intend to develop such property until the litigation is resolved.

ALI does not believe that such litigation will have a significant impact on its financial position. ALI has made no provision for such litigation.

To date, ALI has received several favorable decisions from trial courts on the merits of some cases, all of which are on appeal. The Company has also received favorable decisions from higher courts dealing with incidents in certain cases allowing trial to proceed on the merits of these cases.

Action with Respect to Reports

a) Approval of the Annual Report of Management for the year ending 31 December 2002.

b) Approval of the Minutes of the 2002 Annual Meeting of the Stockholders held on 17 April 2002, with the following points:

i) Annual Report of Officers;
ii) Ratification and approval of all acts and resolutions of the Board of Directors and the Executive Committee for the fiscal year 2001;
iii) Election of Directors; and
iv) Election of Auditors and Fixing their Remuneration.

Other Proposed Actions

a) Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering 1 January 2002 through 31 December 2002.

These acts are covered by Resolutions of the Board of Directors duly adopted in the normal course of trade or business, like:

i) Approval of projects and investments;
ii) Treasury matters related to opening of accounts and bank transactions; and
iii) Appointment of signatories and amendments thereof.

b) Approval of delegation of the authority to amend the By-laws to the Board of Directors.

c) Approval of Director's Remuneration consisting of a retainer fee and a per diem for every meeting actually attended.

d) Election of the Members of the Board of Directors, including Independent Directors, for the ensuing calendar year.

e) 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 & Chief Finance Officer

AYALA LAND, INC.

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

Date: 28 February 2003

ANNEX "A"
Directors and Executive Officers
(as of 31 December 2002)

Board of Directors

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

Fernando Zobel de Ayala, 42, has served as Chairman of the Board of Directors 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 Roxas Land Corporation, Alabang Commercial Corporation, and Laguna Properties Holdings, Inc. (LPHI); Vice-Chairman of Ayala International Pte. Ltd.; Co-Vice Chairman and Trustee of Ayala Foundation, Inc.; Director of the Bank of the Philippine Islands, Globe Telecom, Inc., AC International Finance Ltd., Ayala International Pte. Ltd., Ayala Hotels Inc. (AHI), and Integrated Microelectronics Inc. (IMI). He graduated with B.A. Liberal Arts at Harvard College in 1982.

Jaime Augusto Zobel de Ayala II, 43, has served as Director and member of the Executive Committee of ALI since 1988. He also serves as the Co-Vice Chairman of the Board of Directors, Member of the Executive Committee and Management Committee and President 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., Integrated Microelectronics Inc. (IMI), and iAyala Company, Inc.; Member of the Board of Directors of Asia Pacific Advisory Committee to the New York Stock Exchange, Inc., International Youth Foundation, and World Wildlife Fund; Member of the Board of Trustees of Asian Institute of Management, AIM-Washington Sycip Policy Center, Carlos P. Romulo Foundation for Peace and Development, and Makati Business Club. He graduated with B.A. in Economics (Cum Laude) at Harvard College in 1981 and took his MBA (with Distinction) at the Harvard Graduate School of Business Administration in 1987.

Francisco H. Licuanan III, 58, 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), Enjay Hotels, Inc. (EHI), Enjay, Inc., Aurora Properties Holdings Inc., Vesta Properties Holdings, Inc., Alabang Commercial Corporation, and Roxas Land Corporation; Chairman of the Board of Directors and President of Makati Property Ventures, Inc.; Chairman of the Board of Directors of Cebu Holdings, Inc. (CHI), Laguna Technopark Inc., Makati Development Corporation (MDC), Gammon Philippines Inc., and Cebu Property Ventures Development Corporation; Vice Chairman of the Board of Directors of Laguna Properties Holdings, Inc.; Director of Ayala Aviation Corporation, Manila Water Company, Philippine Hoteliers Inc., Metro Rail Transit Corporation, ALI-CII Development Corporation, Ayala Infrastructure Ventures, Inc., Ayalaport Makati, Inc., Ayala Land Sales, Inc., and Ayala International Properties Pte. Ltd. He also serves as Member of the Board of Trustees of Ayala Foundation, Inc. (AFI). He graduated with Bachelor of Arts Major in Economics (Cum Laude) at Ateneo de Manila University in 1964 and had Masters in Business Administration at Harvard Graduate School of Business Administration in 1967.

Mercedita S. Nolledo, 61, 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) and Cebu Insular Hotel Co., Inc.; Director of Cebu Holdings, Inc. (CHI), Ayala Aon Risk Services, Inc., Honda Cars Cebu, Inc., Honda Cars Makati, Inc., Isuzu Automotive Dealership, Inc., Isuzu Cebu, Inc., Ayala Automotive Holdings, Inc., and Bank of the Philippine Islands; Corporate Secretary and Member of the Board of Trustees of Ayala Foundation, Inc. (AFI); Director, Treasurer and Corporate Secretary of Alabang Commercial Corporation, Enjay Hotels, Inc., Enjay, Inc., Ayala Hotels, Inc. (AHI) and Laguna Technopark, Inc.; 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). She also serves as Treasurer of Makati Development Corporation, Ayala Realty Development Corp. and Roxas Land Corporation. She had her education at University of the Philippines and graduated Magna Cum Laude and Class Valedictorian in both Bachelor of Science in Business Administration and Bachelor of Laws.

Ariston Estrada, Jr., 62, 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 Member of Executive Committee of Ayala Hotels, Inc.; Director of Ayala Aon Risk Services, Inc., Ayala Automotive Holdings, Inc., Enjay Hotels, Inc., and Ayala DBS Holdings, Inc. He had his education at De La Salle University with a degree in A.B. Humanities (Summa Cum Laude) in 1960 and B.S.C. Major in Accounting in 1962.

Delfin L. Lazaro, 57, 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. He graduated with BS Metallurgical Engineering at University of the Philippines in 1967 and took his MBA units (with Distinction) at Harvard Graduate School of Business in 1971.

Ramon R. del Rosario, Jr., 58, has served as an Independent Director of ALI since 1994. He also serves as Chairman and CEO of AB Capital and Investment Corporation; Director of Roxas Holdings, Inc., PSi Technologies, Inc., Bacnotan Consolidated Industries, Inc., Union Cement Corp., and United Pulp and Paper Co.; and President of Philippine Investment Management (PHINMA), Inc. He graduated with BSC-Accounting and AB-Social Sciences (Magna Cum Laude) at De La Salle College, Manila in 1967 and had his Masters in Business Administration at Harvard Business School in 1969.

Leandro Y. Locsin, Jr., 40, has served as an Independent Director of ALI since 1994. He also serves as Administrator and Design Consultant of Leandro V. Locsin Partners Architects; Senior Vice President of C-J Yulo & Sons and Canlubang Sugar Estate; Director of World Wildlife Fund, Phils., The Beacon School, De La Salle University – Canlubang, Yntalco Realty Investment, Vesta Holdings Corp., The Asian Cultural Council Philippines and Museo Pambata ng Maynila. He graduated with Bachelor of Arts, Double Major in Architecture and Eastern Art History at Wesleyan University, Middletown, Connecticut, USA and had his Masters in Architecture at Harvard University Graduate School of Design, Cambridge, Massachusetts, USA in 1989.

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. He graduated with B.S. in Business Administration Major in Accounting at University of the East in 1965 and had his MBA units at Ateneo de Manila University in 1969.

Management Committee Members / Key Officers

Francisco H. Licuanan III *	President
Mercedita S. Nolledo*	Executive Vice President, Treasurer & Corporate Secretary
Vincent Y. Tan	Executive Vice President
Tristan B. dela Rosa	Senior Vice President
Miriam O. Katigbak	Senior Vice President
Manuel J. Colayco, Jr.	Senior Vice President
Jose Rene D. Almendras	Vice President
Ma. Victoria E. Añonuevo	Vice President
Angela V. Lacson	Vice President
Emilio J. Tumbocon	Vice President
Jaime E. Ysmael	Vice President & Chief Finance Officer

** Members of the Board*

Vincent Y. Tan, 52, is Executive Vice-President, member of the Management Committee and Head of the Planning Group of ALI. His other positions include: Director 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. He graduated with B.S. Management Engineering (Cum Laude) at Ateneo de Manila University in 1971 and had Masters in Business Administration Concentration in Management Science and Finance at University of Chicago in 1973.

Tristan B. de la Rosa, 50, joined ALI in September 2002 as Senior Vice President. He heads both the Sales and Marketing Services Group and the Land & Community Development Group. A member of the Management Committee of ALI, he is also President of Ayala Land Sales, Inc. Prior to joining ALI, Mr. de la Rosa was Managing Director of Wrigley Philippines, Inc. (1998-2002); and Managing Director and General Manager, respectively, of Johnson & Johnson Hong Kong (1997-98) and Vietnam (1993-96). He graduated as class valedictorian in B.S.B.A. and Marketing at University of the Philippines.

Miriam O. Katigbak, 49, 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., ALI-Concepcion Industries, Inc., Liberty Real Holdings Corp., Five-Star Cinema Corp., Food Court Co., Inc.; South Innovative Theaters Management, Inc.; Vice-President and Director of Leisure Allied Industries (Phils.); Board member of Lagoon Development Corporation and **Governor** of Ayala Center Association. She graduated with Bachelor of Science in Education, Major in Mathematics at St. Scholastica's College. She took the Management Development Program at Asian Institute of Management in 1993 and at University of Michigan in 1997.

Manuel J. Colayco, 64, 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 and Concorde Building Systems Corp. He graduated with A.B. Major in Mathematics and English at University of Sto. Tomas and was an undergraduate in Masters in Industrial Management at University of the Philippines.

Jose Rene D. Almendras, 42, is Vice-President assigned to the VisMin group and a member of the Management Committee of ALI. His other significant positions include: President and Director of Cebu Holdings, Inc. and Cebu Property Ventures and Development Corporation; Chairman of the Board of City Sports Club Cebu; and Director of Cebu Insular Hotel, Inc. He graduated with Bachelor of Science in Business Management at Ateneo de Manila University and took the Strategic Business Economic Program at the University of Asia and the Pacific.

Ma. Victoria E. Añonuevo, 53, is Vice-President and Member of the Management Committee of ALI. She also serves as Head of the Corporate Business Group and the Leisure & Lifestyle Communities Group of ALI, as well as President of Laguna Technopark, Inc. She graduated with Bachelor of Science in Business Administration, Major in Marketing (Cum Laude) at the University of the Philippines in 1971 and had her Masters in Business Administration at the University of the Philippines in 1975.

***Angela dV. Lacson**,* 56, 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 President of Community Innovations, Inc. and General Manager of Roxas Land Corporation. Prior to joining ALI, she was Vice President and Marketing Director of San Miguel Brewing Philippines (1998-1999), Marketing Director of the San Miguel Food Group (1996-1997), VP and Division Head of J. Walter Thompson (1995). She graduated with Bachelor of Liberal Arts, Major in Mathematics and English Literature (Magna Cum Laude) at Assumption College.

***Emilio J. Tumbocon**,* 46, is Vice-President, member of the Management Committee and Head of the Construction Management Group of ALI. He also serves as President of Makati Development Corporation and Philippine Constructors Association. He had his education at University of the Philippines, Bachelor of Science in Civil Engineering and Masters in Business Administration. At Stanford University, USA, he took the Construction Executive Program and the Senior Business Executive Program and The Executive Program at Darden School of Business, University of Virginia, USA.

***Jaime E. Ysmael**,* 42, is Vice-President and Chief Finance Officer 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 Commercial Corporation, ALINET.COM, Inc., Aurora Properties, Inc., CMPI Land, Inc., CMPI Holdings, Inc., Community Innovations, Inc., Concorde Building Systems Corp., Enjay Hotels, Inc., Laguna Phenix Structures Corp., Laguna Technopark, Inc., Makati Property Ventures, Inc. and Vesta Properties Holdings, Inc.; Director and Chairman of Aklan Holdings, Inc., Boracay Property Holdings, Inc. and Southern Visayas Property Holdings, Inc.; Director and Treasurer of Cebu Insular Hotel Co., Inc. and Tower One Condominium Corp.; Director and President of First Communities Finance Corp.; and Chief Finance Officer of Roxas Land Corporation. He graduated Summa Cum Laude at University of the East with a degree of Bachelor of Science in Business Administration, Major in Accounting in 1980. At University of Pennsylvania, USA, he had his Masters of Business Administration, Major in Finance, Master of Arts in International Studies, Concentration in Latin America, The Wharton School and the School of Arts and Sciences / The Joseph H. Lauder Institute of Management and International Studies. He also took The Executive Program at the University of Michigan Business School in 2000.

ANNEX "B"
Market Price and Dividends

Market Price

Philippine Stock Exchange
Prices (in PhP/share)

	High		Low		Close	
	2002	2001	2002	2001	2002	2001
First Quarter	7.20	8.20	4.80	5.00	6.90	5.50
Second Quarter	7.50	6.00	5.20	4.50	5.60	5.40
Third Quarter	6.20	5.40	5.20	4.20	5.60	4.30
Fourth Quarter	5.60	5.00	4.15	3.55	4.55	4.85

The market capitalization of ALI as of end-2002, based on the closing price of P4.55/share, was approximately P48.7 billion.

Dividends

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

CASH DIVIDEND (Per Share)			
PESO AMOUNT	DECLARATION DATE	RECORD DATE	PAYMENT DATE
0.03	June 8, 2001	July 13, 2001	August 24, 2001
0.03	December 7, 2001	January 11, 2002	February 22, 2002
0.18	July 23, 2002	August 6, 2002	September 6, 2002
0.03	November 29, 2002	January 16, 2003	February 11, 2003

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 engaged principally in the planning, development and marketing of large-scale communities having a mix of residential, office, commercial and other uses. The Company, through its various subsidiaries, is also engaged in the development and sale of industrial lots, as well as the development of hotels and serviced apartments. It also constructs office and/or residential condominiums and buildings for sale and/or lease. It has also begun to develop, for sale, high-end house-and-lot packages at its residential developments and, through its subsidiaries, continues to develop and sell mass housing units and farm/hacienda lots. The Company, through Community Innovations, Inc., also begun to tap the middle income urban residential segment of the real estate industry through its core-mid residential project.

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 theaters in these commercial centers and has ventured into the operation of food court and entertainment facilities to complement its commercial center operations.

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

The Company is also engaged in information technology-related ventures through ALInet.com, Inc., a 50-50 venture with Ayala Corporation's iAyala Company, Inc. The joint venture operates myAyala.com, an online shopping mall. In support of its real estate business, ALI is also into infrastructure development.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Ayala Land, Inc. is responsible for all information and representations contained in the financial statements for the year ended 31 December 2002. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

SGV & Co., the independent auditors appointed by the stockholders, have examined the financial statements of the company in accordance with generally accepted auditing standards and have expressed their opinion on the fairness of presentation upon completion of such examination, in their report to stockholders.

(Original Signed)
FRANCISCO H. LICUANAN III
President

(Original Signed)
JAIME E. YSMAEL
Chief Finance Officer

(Original Signed)
FERNANDO ZOBEL DE AYALA
Chairman, Board of Directors

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
(Year Ending)
(month & day)

Audited Financial Statements
SEC Form 37-AR Annual Report
SEC Form 11-A Annual Report
Form Type

Amendment Designation (If applicable)

December 31, 2002
Year Ended Date

(Secondary License Type and File Number)

AYALA LAND, INC. AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2002 and 2001
and Years Ended December 31, 2002, 2001 and 2000

and

Report of Independent Auditors

Report of Independent Auditors

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

We have audited the accompanying consolidated balance sheets of Ayala Land, Inc. and Subsidiaries as of December 31, 2002 and 2001, 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, 2002. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the Philippines.

PTR No. 7612545
January 2, 2003
Makati City

January 28, 2003

SGV & Co

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

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

BOA/PRC Reg. No. 0001

Report of Independent Auditors

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, 2002 and 2001, 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, 2002. 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, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the Philippines.

J. D. CABALUNA
Partner
CPA Certificate No. 36317
Tax Identification No. 102-082-365
PTR No. 7612545
January 2, 2003
Makati City

January 28, 2003

SGV & Co

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

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

BOA/PRC Reg. No. 0001

Report of Independent Auditors
On Supplementary Schedules

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

We have audited in accordance with auditing standards generally accepted in the Philippines, the consolidated financial statements of Ayala Land, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated January 28, 2003. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management and are presented for purposes of complying with the Securities Regulation Code Rules 68 and 68.1 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

J. D. CABALUNA
Partner
CPA Certificate No. 36317
Tax Identification No. 102-082-365
PTR No. 7612545
January 2, 2003
Makati City

January 28, 2003

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2002	2001
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	**₱5,713,495**	₱6,737,331
Accounts and notes receivable - net (Notes 4 and 13)	**3,942,943**	4,228,444
Subdivision land for sale	**4,441,539**	4,591,768
Condominium and residential units for sale	**2,829,936**	4,164,684
Other current assets (Note 12)	**780,253**	828,067
Total Current Assets	**17,708,166**	20,550,294
Noncurrent Accounts and Notes Receivable (Note 4)	**4,045,752**	2,088,302
Land and Improvements (Note 8)	**19,261,894**	19,888,310
Investments - net (Notes 5 and 8)	**18,903,013**	17,278,933
Property and Equipment - net (Notes 6 and 8)	**1,150,700**	1,011,518
Other Assets (Note 12)	**788,151**	890,283
	₱61,857,676	₱61,707,640
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 7)	**₱3,792,662**	₱4,818,735
Bank loans (Note 8)	**1,942,000**	760,000
Income tax payable	**538,681**	315,555
Current portion of:		
Long-term debt (Note 8)	**309,884**	6,418,957
Estimated liability for land and property development	**1,427,642**	859,291
Other current liabilities (Note 12)	**431,703**	496,002
Total Current Liabilities	**8,442,572**	13,668,540
Long-term Debt - net of current portion (Note 8)	**8,622,614**	3,741,071
Noncurrent Liabilities and Deposits (Notes 9 and 12)	**2,886,994**	2,660,252
Estimated Liability for Land and Property Development - net of current portion	**731,546**	643,559
Minority Interest in Consolidated Subsidiaries	**5,698,130**	5,803,955
Stockholders' Equity (Note 10)	**35,475,820**	35,190,263
	₱61,857,676	₱61,707,640

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		
	2002	2001	2000
REVENUES			
Real estate (Note 13)	**₱9,860,057**	₱9,104,315	₱7,793,667
Hotel operations	**1,308,957**	1,320,417	1,185,091
Equity in net earnings of associates, interest, fees, investment and other income (Notes 5 and 13)	**1,058,015**	1,267,894	1,326,857
	12,227,029	11,692,626	10,305,615
COSTS AND EXPENSES			
Real estate (Notes 11 and 13)	**5,458,797**	5,616,815	4,903,218
Hotel operations (Note 11)	**1,080,195**	1,055,530	945,521
General and administrative expenses (Notes 11 and 14)	**1,332,985**	1,064,646	1,029,905
Interest and other charges (Note 8)	**695,130**	783,524	799,656
Provision for income tax (Note 12)	**1,123,414**	918,847	631,849
	9,690,521	9,439,362	8,310,149
INCOME BEFORE NET EARNINGS (LOSS) APPLICABLE TO MINORITY INTEREST	**2,536,508**	2,253,264	1,995,466
NET EARNINGS (LOSS) APPLICABLE TO MINORITY INTEREST	**16,979**	(34,019)	151,261
NET INCOME	**₱2,519,529**	₱2,287,283	₱1,844,205
Earnings Per Share (Note 15)	**₱0.24**	₱0.21	₱0.17

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

	Years Ended December 31		
	2002	2001	2000
CAPITAL STOCK - ₱1 par value (Note 10)			
Issued			
Balance at beginning of year	**₱10,684,310**	₱10,684,075	₱8,893,551
Issuance of shares	**50**	235	7,326
Stock options exercised	**–**	–	4,477
Stock dividends	**–**	–	1,778,721
Balance at end of year	**10,684,360**	10,684,310	10,684,075
Subscribed (Notes 10 and 16)			
Balance at beginning of year	**9,022**	9,046	14,066
Issuance of shares	**(50)**	(235)	(7,326)
Stock options exercised (cancelled)	**389**	211	(492)
Stock dividends	–	–	2,798
Balance at end of year	**9,361**	9,022	9,046
ADDITIONAL PAID-IN CAPITAL (Note 16)			
Balance at beginning of year	**3,013,769**	3,063,340	3,181,759
Stock options exercised (cancelled)	**5,221**	(49,571)	(118,419)
Balance at end of year	**3,018,990**	3,013,769	3,063,340
SUBSCRIPTIONS RECEIVABLE (Note 16)			
Balance at beginning of year	**(22,266)**	(56,494)	(176,532)
Stock options exercised - net	**5,679**	34,228	120,038
Balance at end of year	**(16,587)**	(22,266)	(56,494)
	13,696,124	13,684,835	13,699,967
RETAINED EARNINGS (Note 10)			
Appropriated for future expansion	**6,000,000**	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year	**15,505,985**	13,860,295	14,385,631
Cash dividends - ₱0.21 per share in 2002 and ₱0.06 per share in 2001 and 2000	**(2,245,261)**	(641,593)	(588,022)
Stock dividends - 20%	**–**	–	(1,781,519)
Net income	**2,519,529**	2,287,283	1,844,205
Balance at end of year	**15,780,253**	15,505,985	13,860,295
	21,780,253	21,505,985	19,860,295
TREASURY STOCK (Note 10)			
Balance at beginning of year	**(557)**	(557)	(533)
Shares repurchased	–	–	(24)
Balance at end of year	**(557)**	(557)	(557)
	₱35,475,820	₱35,190,263	₱33,559,705

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2002	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and net earnings (loss) applicable to minority interest	**₱3,659,922**	₱3,172,111	₱2,627,315
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	**829,748**	752,546	699,894
Interest expense - net of amount capitalized	**685,085**	542,465	454,385
Provision for doubtful accounts	**37,003**	23,543	6,054
Dividends received from associates	**10,500**	14,000	29,750
Interest income	**(696,926)**	(626,618)	(479,191)
Equity in net earnings of associates	**(50,091)**	(66,824)	(102,453)
Operating income before changes in working capital	**4,475,241**	3,811,223	3,235,754
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts and notes receivable - trade	**(1,788,714)**	(333,343)	245,352
Subdivision land for sale	**406,244**	118,447	(278,586)
Condominium and residential units for sale	**1,728,329**	652,954	(130,048)
Other current assets	**73,903**	181,353	(155,500)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(1,067,411)**	340,666	(113,326)
Other current liabilities	**5**	(175,036)	132,358
Estimated liability for land and property development	**656,338**	(116,982)	136,825
Cash generated from operations	**4,483,935**	4,479,282	3,072,829
Interest received	**390,461**	489,788	372,611
Income tax paid	**(911,576)**	(851,879)	(1,043,180)
Interest paid - net of amount capitalized	**(643,763)**	(575,196)	(408,174)
Net cash provided by operating activities	**3,319,057**	3,541,995	1,994,086
CASH FLOWS FROM INVESTING ACTIVITIES			
Net additions to:			
Land and improvements	**(23,179)**	(301,666)	(1,221,224)
Investments	**(2,121,065)**	(1,743,552)	(1,084,884)
Property and equipment	**(376,602)**	(232,538)	(196,338)
Decrease (increase) in:			
Accounts and notes receivable - nontrade	**386,227**	266,160	(755,158)
Other assets	**107,859**	(206,415)	139,379
Net cash used in investing activities	**(2,026,760)**	(2,218,011)	(3,118,225)

(Forward)

	Years Ended December 31		
	2002	2001	2000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payments of):			
Bank loans	**₱1,182,000**	₱527,000	(₱261,000)
Long-term debt	**(1,227,530)**	2,080,390	702,775
Increase (decrease) in:			
Noncurrent liabilities and deposits	**86,158**	(251,179)	198,134
Minority interest in consolidated subsidiaries	**(122,804)**	(395,072)	(194,097)
Proceeds from issuance of capital stock (cancellation of subscriptions)	**11,289**	(15,131)	5,604
Dividends paid	**(2,245,246)**	(641,590)	(534,456)
Purchase of treasury shares	**–**	–	(24)
Net cash provided by (used in) financing activities	**(2,316,133)**	1,304,418	(83,064)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,023,836)**	2,628,402	(1,207,203)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,737,331**	4,108,929	5,316,132
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱5,713,495**	₱6,737,331	₱4,108,929

See accompanying Notes to Consolidated Financial Statements.

AYALA LAND, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

The number of employees of the Company and its subsidiaries averaged 1,678 in 2002 and 1,657 in 2001.

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

Adoption of New Standards
The Company and its subsidiaries adopted Statement of Financial Accounting Standards (SFAS)16/International Accounting Standard (IAS) 16, "Property, Plant and Equipment," SFAS 24/IAS 24, "Related Party Disclosures," SFAS 27/IAS 27, "Consolidated Financial Statements and Accounting for Investments in Subsidiaries," SFAS 28/IAS 28, "Accounting for Investments in Associates," SFAS 31/IAS 31, "Financial Reporting of Interests in Joint Ventures," and SFAS 36/IAS 36, "Impairment of Assets" effective January 1, 2002.

Adoption of the above standards in 2002 did not result in restatements of prior year consolidated financial statements. Additional disclosures required by the new standards, however, were included in prior year consolidated financial statements, where applicable.

Basis of Consolidation

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

	Effective Percentages of Ownership
Real Estate:	
Amorsedia Development Corporation and subsidiaries	100%
OLC Development Corporation	100
Ayala Greenfield Development Corporation (AGDC)	50
Ayala Land Sales, Inc.	100
Buendia Landholdings, Inc.	100
Community Innovations, Inc. (formerly Five Corners Ventures Corp.)	100
Crimson Field Enterprises, Inc.	100
First South Properties, Inc.	100
Food Court Company, Inc.	100
Laguna Properties Holdings, Inc. and subsidiaries	100
Las Lucas Development Corporation	100
Liberty Real Holdings Corporation (LRHC)	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

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.

Except as stated otherwise, consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. 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 10 years.

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

Cost of subdivision land sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the 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, measured principally on the basis of the estimated physical completion of the contract work.

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

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.

Interest is recognized as it accrues.

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

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

Subdivision Land for Sale and Condominium and Residential Units for Sale
Subdivision land for sale and condominium and residential units for sale are carried at the lower of cost or net realizable value (estimated selling price less cost to complete and sell) 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 cost 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 associates are accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

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

The Company's investments in associates include goodwill on acquisition (net of accumulated amortization and any impairment in value). Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of the associate at the date of acquisition which is not identifiable to specific assets. Goodwill is amortized on a straight-line basis over a ten-year period.

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 less any substantial and presumably permanent decline in aggregate carrying value of these investments. Land improvements, buildings and hotel property and equipment are carried at cost less accumulated amortization and depreciation and any impairment in value. All costs that are directly attributable to the construction of the building and hotel property and equipment are capitalized, including interest during construction period. Amortization and depreciation are computed on a straight-line method over the estimated useful lives of the assets.

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

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

Investment in government bond is carried at cost.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

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

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

Impairment of Assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is computed as the higher of the asset's value in use or its net selling price.

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

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

A reversal of an impairment loss is credited to current operations.

Stock Option Plans

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

Retirement Costs

The Company's and most of its subsidiaries' retirement costs are determined using the entry age normal method. 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.

Certain subsidiaries and associates continue to determine their retirement costs using the projected unit credit method. The projected unit credit method sees each year of service as giving rise to an additional unit of pension entitlement and values each unit separately to build up a total retirement benefit obligation. Under this method, the annual normal cost for an equal unit of benefit increases each year because the period to the employee's retirement continually shortens, and the probability of reaching retirement increases. It is not practical for these companies to shift to the entry age normal method in 2002. Had these companies used the entry age normal method, the effect in net income would not be material.

Income Taxes

Deferred income tax is provided using the liability method. 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) carryforward benefit of the excess of minimum corporate income tax (MCIT) and 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 the NOLCO is expected to be applied.

A valuation 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 period.

Borrowing Costs

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

Foreign Currency Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the 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 and subsidiaries relating to the restatement of its long-term dollar loans obtained to construct the hotel property are capitalized to hotel property and equipment.

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.

New Accounting Standards Effective Subsequent to 2002

The Accounting Standards Council has approved the following accounting standards which will be effective subsequent to 2002:

- SFAS 10/IAS 10, "Events After the Balance Sheet Date," which prescribes the accounting and disclosure related to adjusting and non-adjusting subsequent events. The Company and its subsidiaries will adopt SFAS 10/IAS 10 in 2003 and, based on current circumstances, does not believe the effect of adoption will be material.

- SFAS 37/IAS 37, "Provisions, Contingent Liabilities and Assets," which provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. It also specifies the disclosures that should be included with respect to these items. The Company and its subsidiaries will adopt SFAS 37/IAS 37 in 2003 and, based on current circumstances, does not believe the effect of adoption will be material.

- SFAS 38/IAS 38, "Intangible Assets," which establishes the criteria for the recognition and measurement of intangible assets. Intangible assets that are recognized should be amortized generally over 20 years. The new standard also requires that expenditures on research, start-up, training, advertising and relocation be expensed as incurred. The Company and certain subsidiaries will adopt SFAS 38/IAS 38 in 2003. This will result in a retroactive adjustment to beginning retained earnings in 2003 of ₱82.5 million relating to the write-off of start-up costs. Comparative prior period financial statements presented will be restated accordingly.

3. Cash and Cash Equivalents

This account consists of:

	2002	2001
	(In Thousands)	
Cash on hand and in bank	**₱801,693**	₱722,350
Short-term investments	**4,911,802**	6,014,981
	₱5,713,495	₱6,737,331

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

4. Accounts and Notes Receivable

Accounts and notes receivable are summarized as follows:

	2002	2001
	(In Thousands)	
Trade - net of unrealized gain of ₱1,228,524 in 2002 and ₱421,526 in 2001 (see Note 8)	**₱6,241,292**	₱4,489,581
Related parties (see Note 13)	**235,233**	419,359
Advances to contractors	**134,699**	119,395
Accrued receivables	**2,315**	35,913
Advances and others	**1,500,547**	1,341,178
	8,114,086	6,405,426
Less allowance for doubtful accounts	**125,391**	88,680
	7,988,695	6,316,746
Less noncurrent portion	**4,045,752**	2,088,302
	₱3,942,943	₱4,228,444

5. Investments

This account consists of investments in:

	2002	2001
	(In Thousands)	
Shares of stock:		
At equity:		
Acquisition cost	**₱2,617,182**	₱2,652,508
Accumulated equity in net earnings:		
Balance at beginning of year	**605,860**	553,036
Equity in net earnings for the year	**50,091**	66,824
Dividends received during the year	**(10,500)**	(14,000)
Balance at end of year	**645,451**	605,860
	3,262,633	3,258,368
At cost:		
MRT Holdings, Inc.	**1,132,986**	1,132,986
Others	**970,663**	1,020,188
	2,103,649	2,153,174
	5,366,282	5,411,542
Government bond	**114,322**	–
Land and improvements - net of amortization	**1,780,561**	1,783,863
Buildings - net of accumulated depreciation of ₱2,423,131 in 2002 and ₱2,115,330 in 2001	**7,848,187**	6,155,956
Hotel property and equipment - net of accumulated depreciation of ₱1,186,069 in 2002 and ₱978,960 in 2001	**3,793,661**	3,927,572
	₱18,903,013	₱17,278,933

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

	2002 Percentage of Ownership	Equity in Net Assets 2002	2001
		(In Thousands)	
Cebu Holdings, Inc. (CHI) and subsidiaries	**47**	**₱1,593,998**	₱1,594,218
Pilipinas Makro, Inc. (PMI)	**28**	**1,078,834**	1,037,111
Alabang Commercial Corporation (ACC)	**50**	**440,337**	437,861
Ayala Port, Inc.	**50**	**50,013**	71,234
Lagoon Development Corporation	**30**	**84,401**	98,986
MyAyala.com, Inc.	**50**	**15,050**	18,958
		₱3,262,633	₱3,258,368

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 ₱536.6 million in 2002, ₱550.7 million in 2001 and ₱489.3 million in 2000. Consolidated amortization of land improvements amounted to ₱16.2 million in 2002, ₱14.5 million in 2001 and ₱ 18.4 million in 2000.

6. Property and Equipment

This account consists of:

	Land, Buildings and Improvements	Machinery and Construction Equipment	Furniture, Fixtures and Equipment	Transportation Equipment	2002 Total	2001
			(In Thousands)			
Cost						
January 1	**₱579,054**	**₱738,330**	**₱307,427**	**₱193,765**	**₱1,818,576**	₱1,706,666
Additions	**33,311**	**123,258**	**211,792**	**44,782**	**413,143**	267,753
Disposals	**(29,844)**	**(18,410)**	**(1,256)**	**(30,321)**	**(79,831)**	(155,843)
December 31	**582,521**	**843,178**	**517,963**	**208,226**	**2,151,888**	1,818,576
Accumulated Depreciation						
January 1	**120,022**	**339,962**	**228,056**	**119,018**	**807,058**	758,635
Depreciation	**33,824**	**71,681**	**95,157**	**39,972**	**240,634**	183,117
Disposals	**(2,829)**	**(18,410)**	**(859)**	**(24,406)**	**(46,504)**	(134,694)
December 31	**151,017**	**393,233**	**322,354**	**134,584**	**1,001,188**	807,058

Net Book Value	**₱431,504**	**₱449,945**	**₱195,609**	**₱73,642**	**₱1,150,700**	₱1,011,518

Consolidated depreciation and amortization of property and equipment (charged to various expense and development cost accounts) amounted to ₱240.6 million in 2002, ₱183.1 million in 2001 and ₱ 163.1 million in 2000.

7. Accounts Payable and Accrued Expenses

This account consists of:

	2002	2001
	(In Thousands)	
Accounts payable	**₱1,464,199**	₱1,387,223
Taxes payable	**434,342**	279,845
Dividends payable	**328,297**	485,859
Retentions payable	**43,479**	55,877
Accrued expenses and others	**1,522,345**	2,609,931
	₱3,792,662	₱4,818,735

8. Bank Loans and Long-term Debt

Bank loans of ₱1,942.0 million in 2002 and ₱760.0 million in 2001 represent peso-denominated short-term borrowings by the Company and its subsidiaries with interest rates ranging from 5.75% to 9.25% per annum. These borrowings are unsecured except for the ₱400.0 million short-term loan drawn by the Company in 2002 which is secured by a mortgage on certain parcels of land with a carrying value of ₱79.4 million.

Long-term debt consists of:

	2002	2001
	(In Thousands)	
Parent Company:		
Bonds, due 2007	**₱3,000,000**	₱–
Bank loans - with interest rates ranging from 6.72% to 7.29% per annum	**2,170,000**	2,170,000
Fixed rate corporate notes (FXCNs)	**1,060,000**	–
Long-term commercial papers (LTCPs):		
6% Convertible, due 2002	–	3,998,200
91-day treasury bill rate + 7/8% due 2002	–	2,000,000
	6,230,000	8,168,200

(Forward)

	2002	2001
	(In Thousands)	
Subsidiaries:		
Bank loans - with interest rates ranging from 6.79% to 14.88% per annum		
Philippine peso	**1,607,596**	722,322
Foreign currency	**1,094,902**	1,269,506
	2,702,498	1,991,828
	8,932,498	10,160,028
Less current portion	**309,884**	6,418,957
	₱8,622,614	₱3,741,071

In 2002, the Company issued ₱3.0 billion bonds at par, with interest at a certain spread over the 91-day Treasury Bill Rate.

The Company's long-term bank loans are unsecured and will mature on various dates up to 2006.

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

In 1997, the Company issued LTCPs totaling ₱6.0 billion, of which ₱4.0 billion are convertible at the option of the holders into shares of stock of the Company based on a predetermined formula. As of December 31, 2001, total conversions of LTCPs into shares of stock of the Company amounted to ₱1.8 million. The remaining LTCPs were fully paid in April 2002.

The subsidiaries' loans will mature on various dates up to 2009.

In 2002, the Company pledged its investment in shares of stock of LRHC with a carrying value of ₱ 806.5 million as collateral to secure the latter's bank loans.

Certain subsidiaries' loans are collateralized by trade receivables amounting to ₱65.6 million and mortgages on real estate properties, hotel property and equipment and leasehold rights with a total carrying value of ₱3.56 billion.

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

Interest capitalized amounted to ₱288.4 million in 2002, ₱337.0 million in 2001 and ₱311.1 million in 2000.

In 2002, the Philippine Rating Service Corporation (PhilRatings) assigned a PRS Aa rating on the Company's ₱3.0 billion bond issue indicating its strong capacity to meet its financial commitment on the bond issue.

In November 2002, the Board of Directors approved the issuance of short-term commercial papers, through general public offering, with an aggregate face value of up to ₱1.0 billion to be issued at par subject to the registration requirements of the Securities and Exchange Commission. PhilRatings assigned a PRS 1 rating, likewise indicating the Company's strong capacity to meet its financial commitment on this issue.

9. Noncurrent Liabilities and Deposits

Noncurrent liabilities and deposits consist of:

	2002	2001
	(In Thousands)	
Deposits	**₱782,745**	₱848,523
Retentions payable	**502,585**	521,934
Deferred tax (see Note 12)	**535,042**	394,458
Deferred credits	**508,345**	355,027
Installment payable - net of current portion of ₱147,222	**147,222**	294,445
Other liabilities	**411,055**	245,865
	₱2,886,994	₱2,660,252

10. Stockholders' Equity

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

	2002	2001	2000
Authorized	**12,000,000**	12,000,000	12,000,000
Issued	**10,684,360**	10,684,310	10,684,075
Subscribed	**9,361**	9,022	9,046
Treasury	**(24)**	(24)	(24)
	10,693,697	10,693,308	10,693,097

No transfer of stock or interest which will reduce the ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of the Company.

In 2002, the Board of Directors approved the declaration and payment from unappropriated retained earnings of the following cash dividends:

a) a regular cash dividend of ₱0.06 per share

b) a special cash dividend of ₱0.15 per share.

Retained earnings include undistributed net earnings amounting to ₱3,406.3 million, ₱3,438.4 million and ₱3,888.9 million as of December 31, 2002, 2001 and 2000, respectively, representing accumulated equity in the net earnings of subsidiaries and associates, which are not available for dividend declaration until received in the form of dividends from the subsidiaries and associates.

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

11. Costs and Expenses

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

	2002	2001	2000
		(In Thousands)	
Included in:			
Cost of:			
Real estate	**₱430,801**	₱415,694	₱371,454
Hotel operations	**206,648**	215,835	190,903
General and administrative expenses	**192,299**	121,017	137,537
	₱829,748	₱752,546	₱699,894

General and administrative expenses consists of:

	2002	2001	2000
		(In Thousands)	
Manpower cost (see Note 14)	**₱733,985**	₱644,018	₱607,025
Depreciation and amortization	**192,299**	121,017	137,537
Utilities	**58,031**	73,371	44,324
Others	**348,670**	226,240	241,019
	₱1,332,985	₱1,064,646	₱1,029,905

12. **Income Taxes**

Components of the deferred tax assets and liabilities as of December 31, 2002 and 2001 are as follows:

	2002	2001
	(In Thousands)	
Deferred tax assets on:		
NOLCO	**₱221,759**	₱277,156
Unrealized gain, deposits and provisions for various expenses on real estate transactions and MCIT	**173,459**	114,488
Allowance for doubtful accounts	**40,125**	28,378
Unrealized foreign exchange loss	**22,098**	5,897
	457,441	425,919
Less valuation allowance	**125,930**	202,573
	331,511	223,346
Deferred tax liabilities on capitalized customs duties, interest and other expenses	**(554,373)**	(457,496)
	(₱222,862)	(₱234,150)

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

	2002	2001
	(In Thousands)	
Other current assets	**₱264,017**	₱237,928
Other assets	**255,605**	194,126
Other current liabilities	**(207,442)**	(271,746)
Noncurrent liabilities and deposits (see Note 9)	**(535,042)**	(394,458)
	(₱222,862)	(₱234,150)

Provision for income tax consists of:

	2002	2001	2000
		(In Thousands)	
Current	**₱1,134,702**	₱875,194	₱1,014,210
Deferred	**(11,288)**	43,653	(382,361)
	₱1,123,414	₱918,847	₱631,849

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

	2002	2001	2000
Statutory income tax rate	**32.00%**	32.00%	32.00%
Tax effect of:			
Equity in net earnings of associates	**(0.44)**	(0.67)	(1.25)
Income subjected to lower income tax rates (see Note 19)	**(0.60)**	(1.79)	(1.13)
Interest income and capital gains taxed at lower rates	**(1.58)**	(4.62)	(3.47)
Others - net	**1.32**	4.05	(2.10)
Effective income tax rate	**30.70%**	28.97%	24.05%

13. **Related Party Transactions**

The Company and its subsidiaries, in their regular conduct of business, have entered into transactions with associates and other related parties principally consisting of advances and reimbursement of expenses, purchase and sale of real properties, construction contracts, and development, management, underwriting, marketing, and administrative service agreements. Sales and purchases of goods and services to and from related parties are made at normal market prices.

Revenues from transactions with associates amounted to ₱230.4 million in 2002, ₱567.9 million in 2001 and ₱220.1 million in 2000.

The following are the outstanding balances due from related parties as of December 31, 2002 and 2001 (see Note 4).

	2002	2001
	(In Thousands)	
CHI and subsidiaries	**₱103,993**	₱218,039
Ayalaport Makati, Inc.	**50,290**	27,669
Globe Telecom, Inc.	**21,431**	82,957
AC	**18,682**	22,129
ACC	**9,209**	13,941
PMI	**9,002**	8,268
MyAyala.com, Inc.	**8,817**	6,544
Manila Water Company, Inc.	**7,034**	261
Bank of the Philippine Islands	**5,641**	38,530
Integrated Microelectronics, Inc.	**1,134**	1,021
	₱235,233	₱419,359

14. 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 lump-sum guarantee of 1.5 months' basic salary per year of service. The consolidated retirement costs charged to operations amounted to ₱76.8 million in 2002, ₱68.2 million in 2001 and ₱61.6 million in 2000.

Based on the latest actuarial valuations of the Company and its subsidiaries, the aggregate actuarial present value of pension benefits amounted to ₱496.0 million. The aggregate fair value of their respective plan assets amounted to ₱357.2 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.

15. Earnings Per Share

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

		2002	2001	2000
a.	Net income	**₱2,519,529**	₱2,287,283	₱1,844,205
b.	Weighted average number of common shares	**10,693,608**	10,693,190	10,690,113
c.	EPS (a/b)	**₱0.24**	₱0.21	₱0.17

The assumed conversion of the Company's LTCPs into common shares (see Note 8) has no dilutive effect. Accordingly, no diluted EPS is presented in the accompanying consolidated statements of income for such years.

16. Stock Option Plans

The Company has stock option plans for key officers (Executive Stock Option Plan - ESOP) and employees (Employee Stock Ownership Plan - ESOWN) covering 2.5% of the Company's authorized capital stock. The 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 option 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 2001, the Company offered new ESOP to the executives and key officers of the Company. The ESOP is a ten-year option plan. The grantee is selected based on certain criteria like outstanding performance over a three-year period. The executive or officer may subscribe to the number of shares allocated for him in accordance with the vesting percentage and vesting schedule stated in the Plan.

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. In December 2001, the program for ESOWN was indefinitely suspended.

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

	ESOP		ESOWN	
	2002	2001	**2002**	2001
At January 1	**71,433,929**	576,000	**2,141,100**	6,668,550
Granted	**37,341,481**	70,857,929	**–**	–
Exercised	**(2,857,448)**	–	**–**	–
Cancelled	**–**	–	–	(4,527,450)
At December 31	**105,917,962**	71,433,929	**2,141,100**	2,141,100

The options that have been exercised during the year had a weighted average exercise price of ₱4.03 or about ₱32.6 million. The fair value of the shares as at exercise date was ₱5.69 or about ₱ 46.06 million.

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

Exercise Dates	Number of Options
2002 to 2011	26,061,724
2003 to 2012	36,193,971
2004 to 2013	32,459,823
2005 to 2014	11,202,444
	105,917,962

17. **Segment Information**

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

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

Business segments

The following tables regarding business segments present assets and liabilities as of December 31, 2002 and 2001 and revenues and income information for each of the three years in the period ended December 31, 2002 (in thousands).

2002

	Land, Condominium and Residential Units	Rentals	Hotel Operations	Construction	Others	Total
Revenues	₱5,608,105	₱3,329,626	₱1,308,957	₱922,326	₱1,058,015	₱12,227,029
Operating expenses	4,149,660	823,869	904,557	715,318	448,825	7,042,229
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,458,445	2,505,757	404,400	207,008	609,190	5,184,800
Depreciation and amortization	59,495	434,050	227,380	56,213	52,610	829,748
EBIT	₱1,398,950	₱2,071,707	₱177,020	₱150,795	₱556,580	₱4,355,052
Segment assets	₱29,193,671	₱13,469,247	₱4,798,684	₱1,256,697	₱13,139,377	₱61,857,676
Segment liabilities	₱7,949,470	₱1,735,041	₱3,514,721	₱950,113	₱12,232,511	₱26,381,856

2001

	Land, Condominium and Residential Units	Rentals	Hotel Operations	Construction	Others	Total
Revenues	₱4,433,442	₱3,107,298	₱1,320,417	₱1,563,575	₱1,267,894	₱11,692,626
Operating expenses	3,576,932	822,043	871,220	1,291,957	422,293	6,984,445
Earnings before interest, taxes, depreciation and amortization (EBITDA)	856,510	2,285,255	449,197	271,618	845,601	4,708,181
Depreciation and amortization	27,613	395,641	229,527	56,222	43,543	752,546
EBIT	₱828,897	₱1,889,614	₱219,670	₱215,396	₱802,058	₱3,955,635
Segment assets	₱29,757,755	₱13,493,302	₱4,990,724	₱1,518,277	₱11,947,582	₱61,707,640
Segment liabilities	₱7,835,455	₱1,901,239	₱3,694,873	₱1,210,619	₱11,875,191	₱26,517,377

2000

	Land, Condominium and Residential Units	Rentals	Hotel Operations	Construction	Others	Total
Revenues	₱4,067,607	₱2,814,275	₱1,185,091	₱911,784	₱1,326,858	₱10,305,615
Operating expenses	3,398,495	739,234	863,728	754,371	422,922	6,178,750
Earnings before interest taxes, depreciation and amortization (EBITDA)	669,112	2,075,041	321,363	157,413	903,936	4,126,865
Depreciation and amortization	50,646	377,541	196,143	21,086	54,478	699,894
EBIT	₱618,466	₱1,697,500	₱125,220	₱136,327	₱849,458	₱3,426,971

18. 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.

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

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 through July 11, 2000.

20. **Long-term Commitments and Contingencies**

In July 2000, the Company was awarded by the Bases Conversion Development Authority (BCDA) the contract to develop, under a lease agreement, a 9.8 hectare lot inside Fort Bonifacio. The Company offered to develop a mall on the lot with an estimated gross leasable area of 152,000 square meters. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱113 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company entered into a tripartite agreement with BCDA and LRHC, a subsidiary, whereby the Company transferred its rights and obligations granted to or imposed under the lease agreement to the subsidiary in exchange for equity.

In October 2002, the Company was awarded by the BCDA the contract to develop an 8.5 hectare lot adjacent to the above-mentioned lot which is intended for residential development. The Company’s bid was made on the basis of a joint development structure, and subject to the terms and conditions stated in its bid, includes an upfront cash payment of ₱700 million and a guaranteed annual revenue stream totaling ₱1.1 billion over an 8-year period. The execution of the joint development agreement between the Company and BCDA remains subject to both parties agreeing on certain issues.

In November 2002, the Company and Greenfield Development Corporation (Greenfield) signed an agreement with Metro Pacific Corporation (MPC) to acquire a controlling interest in Bonifacio Land Corporation (BLC) constituting 50.38% of its outstanding capital stock. This acquisition will be effected in relation to the acquisition by the Company and Greenfield of the rights of Larouge B.V. (Larouge) in the loan which Larouge extended to MPC in the principal amount of US$90 million and in the security used for such loan in the form of a pledge over the BLC shares the Company and Greenfield have agreed to acquire. As part of these transactions, the Company and Greenfield will also be acquiring payables of BLC in the principal amount of ₱655 million secured by a pledge over shares of stock of Fort Bonifacio Development Corporation representing 5.55% of its outstanding capital stock. The total consideration due from the Company and Greenfield in respect of these transactions will be approximately US$90 million, adjusted in part for foreign exchange fluctuations. The agreement also provides for the constitution of a pledge over 5% of BLC’s unencumbered shares as security for contingent liabilities and breach of representations and warranties. As part of the agreement, the Company and Greenfield will advance ₱280 million to finance the costs to be incurred in BLC’s restructuring program. The closing of these transactions is subject to certain conditions precedent, including obtaining necessary corporate approvals and the completion of BLC’s debt restructuring.

In 2002, the Company agreed to underwrite the subscription to North Triangle Depot Commercial Corporation (NTDCC) additional shares amounting to ₱1.4 billion over a 4-year equity schedule up to 2005 in exchange for a 5% underwriting fee (net of a 1.5% rebate to existing shareholders who subscribed).

MRT Development Co. assigned development rights to NTDCC in 2002. NTDCC will construct and operate the commercial center under certain terms and conditions until the end of a 50-year lease term renewable for another 25 years.

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.

21. Reclassification of Accounts

Certain accounts in the 2001 and 2000 consolidated financial statements were reclassified to conform with the 2002 presentation of accounts.