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 Rizal Ballroom, Makati Shangri-La Hotel, Ayala Ave. cor. Makati Ave., Makati City, on **Wednesday, 24 March 2004** 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.
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 **5 February 2004** 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 **5 to 12 February 2004**, 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 Rizal Ballroom, Makati Shangri-la Hotel. Registration will start at 7:00 a.m.

Makati City, 09 February 2004.

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 15 March 2004. You may use the enclosed reply envelope for this purpose. Validation of proxies shall be held on 17 March 2004 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:** 31st 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	-	24 March 2004
Time	-	9:00 A.M.
Place	-	Rizal Ballroom Makati Shangri-La Hotel Ayala Avenue cor. Makati Avenue Makati City

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

   1 March 2004

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 2003**

Common Shares	10,762,505,434 (net of 24,081 Treasury shares)

c. Amount of Debt Outstanding as of 31 December 2003

(interest-bearing payables; current and long-term; including bonds and commercial papers) P 14.38 billion

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

_✓_ Yes _____ No

10,726,733,870 Common shares have been listed with the Philippine Stock Exchange as of 31 December 2003, excluding the 115,030,578 underlying shares for the P 4 Billion Long Term Commercial Paper (LTCP) which have been approved for listing.

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INFORMATION REQUIRED IN THE INFORMATION STATEMENT

Date, time and place of meeting of security holders

Date	-	24 March 2004
Time	-	9:00 A.M.
Place	-	Rizal Ballroom Makati Shangri-La Hotel Ayala Avenue cor. Makati Avenue Makati City
Principal Office	-	31st Floor, Tower One, Ayala Triangle, Ayala Avenue, Makati City 1226

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

1 March 2004

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 director 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 2003: 10,762,505,434 Common Shares (net of 24,081 Treasury Shares)

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

b) All stockholders of record as of 05 February 2004 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 - 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 January 2004.

Type of Class	NAME / ADDRESS	NO. OF SHARES	RECORD/ BENEFICIAL	PERCENTAGE
Common	Ayala Corporation 34F Tower One, Ayala Avenue, Makati	6,731,199,096	(R) / (B)	62.54%
Common	PCD Nominee Corporation (Non-Fil) MSE Building, Ayala Avenue, Makati	2,380,467,790	(R)	22.12%
Common	PCD Nominee Corporation (Filipino) MSE Building, Ayala Avenue, Makati	998,683,882	(R)	9.28%

Ayala Corporation holds 62.54 % interest. Mermac, Inc. and the Mitsubishi Group own an aggregate of 68.91% 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 31.40% 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 (HSBC) holds 13.48% interest.
ii) Standard Chartered Bank (SCB) holds 6.33% interest.

The clients of HSBC and SCB who have beneficial interest in the shareholdings with the Company have the power to decide how the ALI shares are to be voted.

2. Security Ownership of Directors and Management as of 31 January 2004.

Type of Class	NAME	POSITION	NO. OF SHARES	RECORD / BENEFICIAL	PERCENTAGE
Common	Fernando Zobel de Ayala	Chairman- Board of Directors & ExCom	10,000	(R)	0.000093%
Common	Jaime Augusto Zobel de Ayala II	Vice Chairman –Board of Directors & ExCom	10,000	(R)	0.000093%
Common	Francisco H. Licuanan III	Member – Board of Directors & ExCom; President	1	(R)	0.000001%
Common	Mercedita S. Nolledo	Member – Board of Directors, Executive Vice President, Treasurer & Corporate Secretary	51,858	(R)	0.000482%
Common	Nieves R. Confesor	Member – Board of Directors	1	(R)	0.000001%
Common	Ramon R. del Rosario, Jr.	Member – Board of Directors	1	(R)	0.000001%
Common	Delfin L. Lazaro	Member – Board of Directors	1	(R)	0.000001%
Common	Leandro Y. Locsin, Jr.	Member – Board of Directors	1,422,885	(R)	0.013221%
Common	Aurelio R. Montinola, III	Member – Board of Directors	2,982	(R) / (B)	0.000028%
Common	Vincent Y. Tan	Executive Vice President	843,950	(R)	0.007842%
Common	Manuel J. Colayco, Jr.	Senior Vice President	437,631	(B)	0.004066%
Common	Tristan B. dela Rosa	Senior Vice President	0		
Common	Miriam O. Katigbak	Senior Vice President	153,672	(R)	0.001428%
Common	Angela dV. Lacson	Senior Vice President	102,935	(R)	0.000956%
Common	Jaime E. Ysmael	Senior Vice President/Chief Finance Officer	171,973	(R)	0.001598%
Common	Jose Rene D. Almendras	Vice President	0		
Common	Ma. Victoria E. Añonuevo	Vice President	411,152	(R)	0.003820%
Common	Emilio J. Tumbocon	Vice President	719,799	(R)	0.006688%
Security Ownership of all Directors and Officers			**4,338,841**		**0.040314%**

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 are expected to be nominated to the Board of Directors of the Company for the ensuing year:

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

Mssrs. Ramon R. del Rosario, Jr., Leandro Y. Locsin, Jr. and Ms. Nieves R. Confesor are nominated as the independent directors.

The Company has adopted the SEC Circular No. 16, Series of 2002 (Guidelines on Nomination and Election of Independent Directors) and compliance therewith has been made.

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 62.54% of the total issued and outstanding capital stock of the Company as of 31 January 2004.

Resignation of Directors

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

Compensation of Directors & Officers

Directors. Article IV Section 17 of the Company's By-Laws provides:

"Section 17 – Each member of the Board of Directors who is neither an officer nor consultant of the Corporation shall be entitled to receive a reasonable per diem in an amount to be determined by the Board of Directors for his attendance in Board meetings. Any additional compensation, other than per diems, to be given to members of the Board of Directors shall be subject to stockholders' approval."

During last year's Annual Stockholders' Meeting held on 02 April 2003, the stockholders ratified the resolution fixing the remuneration of non-executive directors at P1,000,000.00 consisting of the following components:

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

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

Officers. The Company adopts a performance-based compensation scheme as incentive. Total compensation paid to all senior personnel from Manager and up amounted to P279.4 million in 2002 and P352.8 million in 2003. The projected total annual compensation for the current year is P388.1 million.

The total annual compensation of the top 10 officers of the Company amounted to P75.7 million in 2002 and P91.4 million for 2003. The projected total annual compensation for the current year is P100.5 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, variable pay and other taxable income.

		Compensation			
Name	Principal Position	2004*	2003 Basic Pay	2003 Other Variable Pay	2002
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				
Jaime E. Ysmael	Senior Vice President				
Angela dV. Lacson	Senior Vice President				
Jose Rene D. Almendras	Vice President				
Ma. Victoria E. Añonuevo	Vice President				
Emilio J. Tumbocon	Vice President				
All above-named Officers as a group		P 100,538,442	P 85,990,058	P 5,408,526	P 75,738,920

* *Projected Annual Compensation*

	Compensation			
Name	2004*	2003 Basic Pay	2003 Other Variable Pay	2002
All Officers** and Directors as a Group	P 388,071,090	P 332,873,130	P 19,918,770	P 279,365,930

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

The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

Options Outstanding

The Company offered the Executive Stock Option Plan (ESOP) to the Company's officers since 1998. Of the directors and above named officers, there were 6.23 million common shares exercised as of 31 January 2004 by the following directors/officers, to wit:

Name	No. of Shares	Date of Grant	Exercise Price	Market Price at Date of Grant
Franciso H. Licuanan III		Sept. 1, 1998	4.93	5.50
Fernando Zobel de Ayala		June 20, 2001	4.03	5.40
Ma. Victora E. Añonuevo		June 20, 2001	4.03	5.40
Angela dV. Lacson		June 20, 2001	4.03	5.40
Emilio J. Tumbocon		June 20, 2001	4.03	5.40
All above-named Directors and Officers as a group	6,298,722			

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

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 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.

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

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 2003 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.

2003 vs. 2002

Results of Operations

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

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

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

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

Through Laguna Properties Holdings, Inc. (LPHI), Ayala Land continued to address the underserved demand for mass housing. With intensified sales efforts, LPHI's sales bookings in 2003 totaled 1,451 units, 29% higher than previous year's 1,121. Revenues grew by 31% to P1.86 billion, representing 13% of consolidated revenues. During the year, LPHI ventured into its first medium-rise residential building project, One Aeropolis in Sucat, Parañaque, as well as Sta. Arcadia Estates, its first mass housing project in Northern Luzon. At the end of 2003, 82% of the 240 units at the first tower of One Aeropolis, soft launched in June, was taken up, leading to the launch of the 2nd tower in November. Sta. Arcadia Estates, launched in October, posted a 16% take-up rate for its 167-unit initial phase.

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

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

Construction arm Makati Development Corporation contributed P759 million or 5% to consolidated revenues. This represents an 18% decline year-on-year as opportunities in the construction sector continued to be limited.

Financial Condition

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

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

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

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

Looking Ahead

Notwithstanding continued market uncertainties, the Company has lined-up projects to tap available market opportunities. In the retail segment, Ayala Land expects to break ground on the 200,000-sqm North Triangle Commercial Center in Quezon City within 2004 while Phase 1A of Market! Market! will be completed later in the year. Likewise, development will commence on a residential enclave being planned for the 8.5-hectare Lot B in Fort Bonifacio area, a joint venture with the Bases Conversion Development Authority. Answering the demand from call centers and business process outsourcing firms, in March, Ayala Land will break ground for the People Support Center, a 5-storey building in Makati with over 15,000 sqms of office space. New residential projects for the middle-income market will be introduced in various locations by CII and LPHI.

Ayala Land (parent company) is allocating a budget of P5.6 billion for project and capital expenditures in 2004. About P2.4 billion or 43% is earmarked for projects, primarily for residential buildings and high-end residential subdivisions. The balance of P3.2 billion or 57% is allocated for capital expenditures, primarily for investments in commercial centers and office buildings, as well as equity investments in various subsidiaries.

Material Changes in the 2003 Financial Statements
(increase/decrease of 10% or more versus 2002)

Income Statement items – FY2003 versus FY2002

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

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

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

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

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

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

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

<u>Balance Sheet items</u> – End-2003 versus End-2002

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

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

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

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

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

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

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

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

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

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

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

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

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

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, 10.54% higher than 2001, generated from P12.21 billion of consolidated revenues, which grew by 4.495% 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 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)

Balance Sheet

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

(3) Ayala Land, Inc. adopted the following Statement of Financial Accounting Standards (SFAS) which became effective in 2003:

- SFAS No. 38/IAS No. 38, *Intangible Assets*
- SFAS No. 22/IAS No. 22, *Business Combinations*
- SFAS No. 37/IAS No. 37, *Provisions, Contingent Liabilities and Contingent Assets*
- SFAS No. 10/IAS No. 10, *Events After the Balance Sheet Date*

Adoption of the above new standards in 2003 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

Ayala Land is not involved in any litigation it deems material. However, certain individuals and entities have claimed an interest in Ayala Land's properties located in Las Piñas, Metro Manila, which are adjacent to its development in Ayala Southvale. The controversy involves approximately 146 hectares owned by Ayala Land in Las Piñas. Prior to purchasing these properties, Ayala Land conducted an investigation of the titles to the properties and had no notice of any title or claim that was superior to the titles purchased by Ayala Land. Ayala Land traced its titles to their original certificates of title and Ayala Land believes that it has established its superior ownership position over said parcels of land. Ayala Land has assessed these adverse claims, the largest of which involves 101 hectares, and believes that its titles are in general superior to the purported titles or other evidence of alleged ownership of these claimants. On this basis, beginning in October 1993, Ayala Land filed petitions in local regional trial courts of Makati and Las Piñas for quieting of title to nullify the purported titles or claims of these adverse claimants. Certain proceedings affecting the Las Piñas property are also pending resolution at the Commission on the Settlement of Land Problems. Todate, these proceedings are in the process of consolidation for trial and at various stages of trial and appeal.

Ayala Land does not intend to develop its Las Piñas property for sale until the litigation is resolved. The proceeding is still currently being heard in the regional trial court level.

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

Ayala Land has made no provision in respect of such actual or threatened litigation.

Action with Respect to Reports

a) Approval of the Minutes of the 2003 Annual Meeting of the Stockholders held on 2 April 2003, 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 2002;
- iii) Approval of delegation of the authority to amend the By-laws to the Board of Directors;
- iv) Approval of Director's Remuneration consisting of a retainer fee and a per diem for every meeting actually attended;
- v) Election of the Members of the Directors, including Independent Directors; and
- vi) Election of External Auditors and Fixing their Remuneration.

b) Approval of the Annual Report of Management for the year ending 31 December 2003.

Other Proposed Actions

a) Ratification of all acts of the Board of Directors, Executive Committee and Management for the period covering 01 January 2003 through 31 December 2003.

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

c) Election of External Auditors and Fixing their remuneration.

Voting Procedures

Vote required:

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

Method: Straight and Cumulative Voting

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

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

Upon the written request of the stockholders, the Corporation undertakes to furnish said stockholder with a copy of SEC Form 17-A free of charge. 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
Senior Vice President & Chief Finance Officer

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

AYALA LAND, INC.

(SGD.)
by: RENATO O. MARZAN
Assistant Corporate Secretary

Date: 13 February 2004

ANNEX "A"
Directors and Executive Officers
(as of 31 December 2003)

Board of Directors

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

Fernando Zobel de Ayala, 43, 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, 44, 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, 59, 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, 62, 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 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 Bachelor of Science in Business Administration and Cum Laude and Class Valedictorian in Bachelor of Laws.

Nieves R. Confesor, 53, has served as an Independent Director of ALI since 2003. She is the Dean of Asian Institute of Management since June 2002. She serves as an adviser, external collaborator to the World Bank, the Asian Development Bank, the International Labor Organization, and the ASEAN secretariat. She is also a member of the Board of Directors of Metropolitan Bank and Trust Corporation, Philippine National Oil Company, Philippine National Coal Corporation and Philippine Agency for the Improvement of Community and Family, Inc. (PACAF), and of the Operating Council of the Global Alliance for Workers based in Washington D.C., USA. She also served as presidential adviser on Human Resource Development and International Labor Affairs to former Philippine President Fidel V. Ramos, with the personal rank of Ambassador of Extraordinary and Plenpotentiary. She also served as the Philippines' first woman Secretary of Labor and Employment during the Corazon C. Aquino and Fidel V. Ramos presidencies. In 1992, in recognition of her excellent service in government, she was named one of the Ten Outstanding Women in the Nation's Service (TOWNS) and received the Outstanding Service Award by the Philippine Civil Service Commission. She holds a Master in Public Policy and Administration from Harvard University in 1990 as an Edward S. Mason Fellow; had her Master in Business Administration from the Graduate School of Business of the Ateneo de Manila University in 1978; took special courses in Labor and Employment and in Asian Studies at the University of the Philippines and in International Economics, Negotiations, Women in Politics at Harvard University. She completed Bachelor of Arts in Literary Studies (Magna Cum Laude and Class Valedictorian) at Maryknoll College in 1971.

Ramon R. del Rosario, Jr., 59, 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.

Delfin L. Lazaro, 58, has served as member of the Board of Directors of ALI since 1996. He is also a Consultant and a member of the Management Committee of Ayala Corporation; Director and Chairman of the Executive Committee of Globe Telecom, Inc.; 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.

Leandro Y. Locsin, Jr., 41, 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.

Aurelio R. Montinola, III, 52, has served as member of the Board of Directors of ALI since 2003. He is the Senior Executive Vice President and Chief Operating Officer of Bank of the Philippine Islands and Head of the Consumer Banking and President of BPI Family Bank. His other affiliations include: Chairman of the Board of Directors of Amon Trading Corporation; Vice Chairman of the Board of Directors of Republic Cement Corporation; Vice Chairman of the Board of Trustees of Far Eastern University; President and Trustee of Alliance Francaise de Manille; Regional Director of MasterCard International; Member of the Board of Directors of Manila Water Company; Member of the Board of Trustees of BPI Foundation, Inc.; and Director and past President of the Chamber of Thrift Banks. He graduated with BS Management Engineering at Ateneo de Manila University in 1973 and had his MBA at Harvard Business School in 1976.

Nominee to the Board of Directors for the ensuing year:

Jaime I. Ayala, 41, joined ALI in January 2004 as Executive Vice President and member of the Management Committee. Concurrently, he is Managing Director of Ayala Corporation. His other significant positions include: Chairman of the Board of Directors of Cebu Insular Hotel Co., Inc.; Vice Chairman of the Board of Directors of Makati Development Corporation and Laguna Properties Holdings, Inc.; Director of Ayala Greenfield Development Corporation, Aurora Properties, Inc., Vesta Property Holdings, Inc., Roxas Land Corporation, Ayala Land Sales, Inc., Community Innovations, Inc., Alabang Commercial Corp., Liberty Real Holdings Corporation, Fort Bonifacio Development Corporation, Bonifacio Land Corporation, Emerging City Holdings, Inc., Berkshire Holdings, Inc., Bonifacio Arts Foundation Inc., Ayala Hotels, Inc., Enjay Hotels, Inc., Makati Property Ventures, Inc., Cebu Holdings, Inc., Ayalaport Makati, Inc., Ayala Infrastructure Ventures, Inc., myAyala.com Inc., Ayala Center Association and Makati Parking Authority. Prior to joining ALI, he spent 19 years with McKinsey & Company in the US, Mexico, China, and Southeast Asia. At McKinsey, he was a Director (senior partner) and played a number of global and regional leadership roles, including President of McKinsey's Manila office. He earned his M.B.A. from Harvard School, graduating with honors in 1988. He completed his undergraduate work in 1984 at Princeton University, where he graduated Magna Cum Laude in Economics, with a minor in Engineering.

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
Manuel J. Colayco, Jr.	Senior Vice President
Tristan B. dela Rosa	Senior Vice President
Miriam O. Katigbak	Senior Vice President
Angela dV. Lacson	Senior Vice President
Jaime E. Ysmael	Senior Vice President & Chief Finance Officer
Jose Rene D. Almendras	Vice President
Ma. Victoria E. Añonuevo	Vice President
Emilio J. Tumbocon	Vice President

** Members of the Board*

Vincent Y. Tan, 53, is Executive Vice-President, member of the Management Committee and Head of the Planning Group of ALI. His other positions include: Chairman of the Board of Laguna Technopark, Inc., CMPI Holdings, Inc. and CMPI Land, Inc.; Vice Chairman of the Board of Directors of Ayalaport, Inc.; President of ALInet.com, Inc.; and Member of the Board of Directors of Ayala Greenfield Development Corporation, Community Innovations, Inc., Liberty Real Holdings Corp., Aurora Properties, Inc., Vesta Property Holdings, Inc., Ayalaport Makati, Inc., myAyala.com, Inc., Metro Rail Transit Corporation, Metro Rail Transit Dev. Corp., Metro Rail Transit Holdings II, Inc., MRT Holdings, Inc. and North Triangle Development Corporation. He graduated with a degree of B.S. Management Engineering (Cum Laude) at the Ateneo de Manila University in 1971 and earned his M.B.A. (Concentration in Management Science and Finance) at the University of Chicago in 1973.

Manuel J. Colayco, 65, 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. He graduated with a degree of A.B. Major in Mathematics and English at the University of Sto. Tomas and was an undergraduate in Masters in Industrial Management at the University of the Philippines.

Tristan B. de la Rosa, 52, 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, with a degree of Bachelor of Science in Business Administration and Marketing at the University of the Philippines.

Miriam O. Katigbak, 50, 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., 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 a degree of Bachelor of Science in Education, Major in Mathematics at the St. Scholastica's College. She took the Management Development Program at the Asian Institute of Management in 1993 and at the University of Michigan in 1997.

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

Jaime E. Ysmael, 43, is Senior Vice-President, 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 ALInet.com, Inc., Aurora Properties, Inc., CMPI Land, Inc., CMPI Holdings, Inc., Concorde Building Systems Corp., Enjay Hotels, Inc., Laguna Phenix Structures Corp., Laguna Technopark, Inc., Liberty Real Holdings Corporation 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 Ayala Westgrove Heights Homeowners Association, Inc., Cebu Insular Hotel Co., Inc. and Tower One Condominium Corp.; Director and President of First Communities Finance Corp.; Chief Finance Officer of Roxas Land Corporation; and Treasurer of Ayala Hotels, Inc., Enjay Hotels, Inc. and Ayala Infrastructures Ventures, Inc. He graduated Summa Cum Laude at the University of the East with a degree of Bachelor of Science in Business Administration, Major in Accounting in 1980. At the University of Pennsylvania, USA, he got his M.B.A. degree (Major in Finance) at The Wharton School and the School of Arts and Sciences and took Master of Arts in International Studies (Concentration in Latin America) at 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.

Jose Rene D. Almendras, 43, is Vice-President assigned to the Visayas-Mindanao group and a member of the Management Committee of ALI. His other significant positions include: President and Director of Cebu Holdings, Inc., Cebu Property Ventures and Development Corporation and City Sports Club Cebu; and Director of Cebu Insular Hotel, Inc., Laguna Properties Holdings, Inc. and Community Innovations, Inc. He graduated with a degree of 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, 54, is Vice-President and Member of the Management Committee of ALI. She also serves as Head of the Corporate Business Group and the Leisure & Lifestyle Communities Group of ALI, as well as President of Laguna Technopark, Inc. She graduated with a degree of Bachelor of Science in Business Administration, Major in Marketing (Cum Laude) at the University of the Philippines in 1971 and had her Masters in Business Administration at the University of the Philippines in 1975.

Emilio J. Tumbocon, 47, is Vice-President, member of the Management Committee and Head of the Construction Group of ALI and concurrently serves as President of Makati Development Corporation. He is also the President of the Philippine Constructor's Association (PCA) and Member of the Board of Directors of the Construction Industry Authority of the Philippines, Department of Trade & Industry and the International Federation of Asia & Western Pacific Contractors Association (IFAWPCA). He graduated at the University of the Philippines with a degree of Bachelor of Science in Civil Engineering and took Masters in Business Administration at the same university. He also took the Construction Executive Program at Stanford University in the USA, the Senior Business Executive Program at the University of Asia and the Pacific, and The Executive Program at Darden School of Business, University of Virginia.

ANNEX "B"
Market Price and Dividends

Market Price

Philippine Stock Exchange
Prices (in PhP/share)

	High		Low		Close	
	2003	2002	2003	2002	2003	2002
First Quarter	5.30	7.20	4.35	4.80	4.55	6.90
Second Quarter	6.60	7.50	4.50	5.20	6.00	5.60
Third Quarter	6.90	6.20	5.70	5.20	6.30	5.60
Fourth Quarter	6.70	5.60	5.30	4.15	6.10	4.55

The market capitalization of ALI as of end-2003, based on the closing price of P6.10/share, was approximately P65.7 billion.

The price information as of the close of the latest practicable trading date, 13 February 2004, is P5.80.

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
0.18	July 23, 2002	August 6, 2002	September 6, 2002
0.03	November 29, 2002	January 03, 2003	February 14, 2003
0.03	June 20, 2003	July 25, 2003	August 20, 2003
0.26	August 27, 2003	September 26, 2003	October 22, 2003
0.03	December 5, 2003	December 23, 2003	January 16, 2004

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.

Recent Sale of Securities

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

1. ALI shares: P8.40 per share which is 29% above the 19 August 2003 closing price; and
2. Museum lot: P227,500 per sq.m. This is the average of the appraised values determined by Asian Appraisal Company, Inc. and Cuervo Appraisers as of 02 June 2003.

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

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

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, high-end house-and-lot packages at its residential developments and, through its subsidiaries, continues to develop and sell core middle-income residential products, mass housing units and farm/hacienda lots.

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 Azalea Technologies, Inc. The joint venture operates myAyala.com, an online shopping mall. In support of its real estate business, ALI is also into infrastructure development.

COVER SHEET

1 5 2 7 4 7

SEC Registration Number

A Y A L A L A N D , I N C . A N D S U B S I D I A R I E S

(Company's Full Name)

T o w e r O n e , A y a l a T r i a n g l e , A y a l a
A v e n u e , M a k a t i C i t y

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

(Contact Person)

848-5772

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

A A F S

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

AYALA LAND, INC. AND SUBSIDIARIES

Consolidated Financial Statements
December 31, 2003 and 2002
and Years Ended December 31, 2003, 2002 and 2001

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, 2003 and 2002, 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, 2003. 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, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the Philippines.

PTR No. 7012968
January 5, 2004
Makati City

February 3, 2004

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, 2003 and 2002, 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, 2003. 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, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the Philippines.

J. D. CABALUNA
Partner
CPA Certificate No. 36317
SEC Accreditation No. 0069-A
Tax Identification No. 102-082-365
PTR No. 7012968
January 5, 2004
Makati City

February 3, 2004

Report of Independent Auditors
On Supplementary Schedules

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

We have audited in accordance with auditing standards generally accepted in the Philippines, the consolidated financial statements of Ayala Land, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated February 3, 2004. 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
SEC Accreditation No. 0069-A
Tax Identification No. 102-082-365
PTR No. 7012968
January 5, 2004
Makati City

February 3, 2004

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

	December 31	
	2003	2002 (As Restated)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	**₱4,854,920**	₱5,713,495
Accounts and notes receivable - net (Notes 4, 8 and 13)	**4,506,321**	3,953,451
Subdivision land for sale	**3,884,117**	3,779,670
Condominium and residential units for sale	**3,263,767**	2,697,297
Other current assets (Note 12)	**994,604**	758,775
Total Current Assets	**17,503,729**	16,902,688
Noncurrent Assets		
Noncurrent accounts and notes receivable (Notes 4 and 13)	**5,458,708**	4,035,244
Land and improvements (Note 8)	**19,065,290**	19,712,712
Investments - net (Notes 5, 8, 10 and 20)	**22,712,299**	18,834,031
Property and equipment - net (Note 6)	**1,514,522**	1,494,390
Other assets (Note 12)	**757,504**	788,151
Total Noncurrent Assets	**49,508,323**	44,864,528
	₱67,012,052	₱61,767,216
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 7)	**₱4,023,475**	₱3,792,662
Short-term debt (Note 8)	**1,457,000**	1,942,000
Income tax payable	**112,507**	538,681
Current portion of:		
Long-term debt (Note 8)	**1,335,995**	309,884
Estimated liability for land and property development	**2,445,702**	1,427,642
Other current liabilities (Note 12)	**458,107**	431,703
Total Current Liabilities	**9,832,786**	8,442,572
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 8)	**11,588,299**	8,622,614
Noncurrent liabilities and deposits (Notes 9 and 12)	**3,246,497**	2,886,994
Estimated liability for land and property development - net of current portion	**1,228,484**	731,546
Total Noncurrent Liabilities	**16,063,280**	12,241,154
Total Liabilities	**25,896,066**	20,683,726
Minority Interest in Consolidated Subsidiaries	**5,842,715**	5,676,489
Stockholders' Equity (Note 10)	**35,273,271**	35,407,001
	₱67,012,052	₱61,767,216

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		
	2003	2002 (As Restated)	2001 (As Restated)
REVENUE			
Real estate (Note 13)	**₱11,602,680**	₱9,860,057	₱9,104,315
Hotel operations	**1,282,325**	1,308,957	1,320,417
Equity in net earnings of investees, interest, fees, investment and other income (Notes 5 and 13)	**1,738,927**	1,045,119	1,243,986
	14,623,932	12,214,133	11,668,718
COSTS AND EXPENSES			
Real estate (Notes 11 and 13)	**6,910,722**	5,458,797	5,616,815
Hotel operations (Note 11)	**1,068,433**	1,080,195	1,055,530
General and administrative expenses (Notes 11 and 14)	**1,540,510**	1,313,540	1,044,054
Interest and other charges (Note 8)	**1,517,493**	695,130	783,524
Provision for income tax (Note 12)	**793,102**	1,125,278	919,320
	11,830,260	9,672,940	9,419,243
INCOME BEFORE NET EARNINGS (LOSS) APPLICABLE TO MINORITY INTEREST	**2,793,672**	2,541,193	2,249,475
NET EARNINGS (LOSS) APPLICABLE TO MINORITY INTEREST	**84,517**	22,678	(28,861)
NET INCOME	**₱2,709,155**	₱2,518,515	₱2,278,336
Earnings Per Share (Note 15)	**₱0.25**	₱0.24	₱0.21

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		
	2003	2002	2001
CAPITAL STOCK - ₱1 par value (Note 10)			
Issued			
Balance at beginning of year	**₱10,684,360**	₱10,684,310	₱10,684,075
Issuance of shares	**68,923**	50	235
Balance at end of year	**10,753,283**	10,684,360	10,684,310
Subscribed (Notes 10 and 16)			
Balance at beginning of year	**9,361**	9,022	9,046
Issuance of shares	**(7,951)**	(50)	(235)
Stock options exercised	**7,837**	389	211
Balance at end of year	**9,247**	9,361	9,022
ADDITIONAL PAID-IN CAPITAL (Note 16)			
Balance at beginning of year	**3,018,990**	3,013,769	3,063,340
Issuance of shares	**468,975**	–	–
Stock options exercised (cancelled)	**38,256**	5,221	(49,571)
Balance at end of year	**3,526,221**	3,018,990	3,013,769
SUBSCRIPTIONS RECEIVABLE (Note 16)			
Balance at beginning of year	**(16,587)**	(22,266)	(56,494)
Stock options exercised	**6,616**	5,679	34,228
Balance at end of year	**(9,971)**	(16,587)	(22,266)
	14,278,780	13,696,124	13,684,835
RETAINED EARNINGS (Note 10)			
Appropriated for future expansion	**6,000,000**	6,000,000	6,000,000
Unappropriated:			
Balance at beginning of year, as previously stated	**15,780,253**	15,505,985	13,860,295
Effect of change in accounting for preoperating expenses (Note 2)	**(68,819)**	(67,805)	(58,858)
Balance at beginning of year, as restated	**15,711,434**	15,438,180	13,801,437
Cash dividends ₱0.32 per share in 2003, ₱0.21 per share in 2002 and ₱0.06 per share in 2001	**(3,425,541)**	(2,245,261)	(641,593)
Net income	**2,709,155**	2,518,515	2,278,336
Balance at end of year	**14,995,048**	15,711,434	15,438,180
	20,995,048	21,711,434	21,438,180
TREASURY STOCK (Note 10)	**(557)**	(557)	(557)
	₱35,273,271	₱35,407,001	₱35,122,458

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2003	2002 (As Restated)	2001 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and net earnings (loss) applicable to minority interest	**₱3,586,774**	₱3,666,471	₱3,168,795
Adjustments to reconcile income before income tax and net earnings (loss) applicable to minority interest to operating income before changes in working capital:			
Interest expense - net of amount capitalized	**878,939**	685,085	542,465
Depreciation and amortization	**801,677**	810,303	731,954
Dividends received from investee	**18,460**	10,500	14,000
Provision for doubtful accounts	**12,210**	37,003	23,543
Interest income	**(535,830)**	(696,926)	(626,618)
Equity in net earnings of investees	**(128,417)**	(37,195)	(42,916)
Operating income before changes in working capital	**4,633,813**	4,475,241	3,811,223
Decrease (increase) in:			
Accounts and notes receivable - trade	**(1,302,371)**	(1,788,714)	(333,343)
Subdivision land for sale	**(104,447)**	406,244	118,447
Condominium and residential units for sale	**229,843**	1,728,329	652,954
Other current assets	**(98,737)**	73,903	181,353
Increase (decrease) in:			
Accounts payable and accrued expenses	**243,016**	(1,067,411)	340,666
Other current liabilities	**25,559**	5	(175,036)
Estimated liability for land and property development	**1,514,998**	656,338	(116,982)
Cash generated from operations	**5,141,674**	4,483,935	4,479,282
Interest received	**349,674**	390,461	489,788
Income tax paid	**(1,328,544)**	(911,576)	(851,879)
Interest paid - net of amount capitalized	**(893,205)**	(643,763)	(575,196)
Net cash provided by operating activities	**3,269,599**	3,319,057	3,541,995
CASH FLOWS FROM INVESTING ACTIVITIES			
Net additions to:			
Land and improvements	**(148,891)**	(23,179)	(301,666)
Investments	**(3,729,579)**	(2,121,065)	(1,743,552)
Property and equipment	**(299,850)**	(376,602)	(232,538)
Decrease (increase) in:			
Accounts and notes receivable - nontrade	**(500,017)**	386,227	266,160
Other assets	**16,050**	107,859	(206,415)
Net cash used in investing activities	**(4,662,287)**	(2,026,760)	(2,218,011)

(Forward)

	Years Ended December 31		
	2003	2002 (As Restated)	2001 (As Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payments of):			
Short-term debt	**(485,000)**	₱1,182,000	₱527,000
Long-term debt	**3,991,796**	(1,227,530)	2,080,390
Increase (decrease) in:			
Noncurrent liabilities and deposits	**318,780**	86,158	(251,179)
Minority interest in consolidated subsidiaries	**81,709**	(122,804)	(395,072)
Proceeds from issuance of capital stock (cancellation of subscriptions)	**50,306**	11,289	(15,131)
Dividends paid	**(3,423,478)**	(2,245,246)	(641,590)
Net cash provided by (used in) financing activities	**534,113**	(2,316,133)	1,304,418
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(858,575)**	(1,023,836)	2,628,402
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,713,495**	6,737,331	4,108,929
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱4,854,920**	₱5,713,495	₱6,737,331

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 1,488 in 2003 and 1,491 in 2002.

The consolidated financial statements of Ayala Land, Inc., and Subsidiaries for the year ended December 31, 2003 were authorized for issue by the Audit Committee and Executive Committee on February 3, 2004.

2. Summary of Significant Accounting Policies

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

Adoption of New Accounting Standards
On January 1, 2003, the Company and its subsidiaries adopted the following accounting standards:

- Statement of Financial Accounting Standards (SFAS) 38/International Accounting Standard (IAS) 38, *Intangible Assets*, establishes the criteria for the recognition and measurement of intangible assets. It also requires that expenditures on research, start-up, training, advertising and relocation be expensed as incurred. Accordingly, certain subsidiaries changed their method of accounting for preoperating expenses and reversed their unamortized preoperating expenses to conform to the standard. Previously, such expenses were deferred and amortized. The change in accounting for preoperating expenses was accounted for retroactively and comparative statements for 2002 and 2001 have been restated. The change decreased net income in 2002 and 2001 by ₱1.0 million and ₱ 8.9 million, respectively. Retained earnings as of January 1, 2003, 2002 and 2001 has been reduced by ₱68.8 million, ₱67.8 million and ₱ 58.9 million, respectively.

- SFAS 22/IAS 22, *Business Combinations*, requires that an acquisition where an acquirer can be identified should be accounted for by the purchase method. Any goodwill arising from the acquisition should be amortized generally over 20 years. Adoption of this standard has no effect on the Company and its subsidiaries' goodwill amortization since existing goodwill is amortized over a ten-year period.

  In addition, under SFAS 22/IAS 22, any negative goodwill arising from a business acquisition should be accounted for as follows:

  - The portion of the negative goodwill that relates to expected future losses and expenses that are identified in the acquirer's plan for the acquisition should be recognized as income when the future losses and expenses are recognized.
  - To the extent that negative goodwill does not relate to expected future losses and expenses:
    - Negative goodwill not exceeding the fair values of acquired nonmonetary assets should be recognized as income over the remaining weighted average useful life of the identifiable acquired depreciable/amortizable assets; and
    - Negative goodwill in excess of the fair values of acquired identifiable nonmonetary assets should be recognized as income immediately.

  The acquisition of Bonifacio Land Corporation (BLC) shares (see Note 5) has been accounted for using the purchase method. The negative goodwill arising from the acquisition has been accounted for in accordance with SFAS 22/IAS 22 and will be recognized as income as the underlying lots are sold.

- SFAS 37/IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, provides the criteria for the recognition and bases for measurement of provisions, contingent liabilities and contingent assets. Adoption of the standard has no effect on the consolidated financial statements.

- SFAS 10/IAS 10, *Events After the Balance Sheet Date*, prescribes the accounting and disclosures related to adjusting and non-adjusting subsequent events. Additional disclosures required by the standard were included in the financial statements, principally the date of authorization for issuance of the financial statements.

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

(Forward)

	Effective Percentages of Ownership
Ayala Land Sales, Inc.	100
Buendia Landholdings, Inc.	100
Community Innovations, Inc.	100
Crimson Field Enterprises, Inc.	100
First South Properties, Inc.	100
Food Court Company, Inc.	100
Laguna Properties Holdings, Inc. and subsidiaries	100
Regent Time International, Limited (Regent)	100
Red Creek Properties, Inc.	100
Liberty Real Holdings Corporation (LRHC)	80
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. (ALInet)	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.

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, including capitalized borrowing costs.

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, including capitalized borrowing costs. The aggregate net realizable value on a per location basis is substantially in excess of costs.

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

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

A subsidiary discontinues applying the equity method when its investments are reduced to zero. Accordingly, additional losses are not recognized unless the subsidiary has guaranteed certain obligations of the investee. When the investee subsequently reports net income, the subsidiary will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The Company's investments in associates include goodwill on acquisition (net of accumulated amortization and any impairment in value). Goodwill represents the excess of the cost of acquisition over the fair value of identifiable net assets of the associate at the date of acquisition which is not identifiable to specific assets. Goodwill is amortized on a straight-line basis over a ten-year period. Goodwill is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Regent's negative goodwill arising from the acquisition of the BLC shares is amortized to income as the underlying lots are sold.

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 amortized cost using the effective interest rate method less any provision for permanent impairment in value.

<u>Property and Equipment</u>
Property and equipment, except land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost.

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 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 period of depreciation and method are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statements of income.

Provisions

Starting in 2003, provisions are recognized when the Company and subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company and subsidiaries expect a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

In prior years, provisions for contingencies were accrued when it is probable that a liability had been incurred at balance sheet date and the amount can be reasonably estimated. Otherwise, the loss contingency was disclosed.

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.

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

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

Rental income from investment properties is accounted for based on the terms of the lease contracts.

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

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

Interest is recognized as it accrues.

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

Retirement Costs
The Company and 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.

IAS 19, *Employee Benefits*, will become effective January 1, 2005. Under IAS 19, the only allowed valuation method is the projected unit credit method. The Company and its subsidiaries currently using the entry age normal method will shift to projected unit credit method in 2005. The Company and its subsidiaries have not yet determined the financial impact of the shift to projected unit credit method.

Borrowing Costs

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

Income Tax

Deferred income tax is provided using the 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 benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax and, net operating loss carryover (NOLCO). Deferred tax assets and liabilities are measured using the tax rates applicable 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.

Foreign Currency Transactions

Transactions in foreign currencies are recorded using the exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing exchange rates prevailing at balance sheet dates. Exchange gains or losses arising from foreign exchange transactions are credited or charged to operations for the year.

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 in 2002 and 2001 is computed by dividing net income plus interest expense (net of income tax) on convertible long-term commercial papers (LTCPs) by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares and the retroactive effect of stock dividends declared.

Segments
The Company and subsidiaries' operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 17.

New Accounting Standards Effective Subsequent to 2003
The Accounting Standards Council (ASC) has approved the following accounting standards which will be effective subsequent to 2003:

- SFAS 21/IAS 21, *The Effects of Changes in Foreign Exchange Rates*, provides restrictive conditions for the capitalization of foreign exchange losses. Certain subsidiaries will adopt the standard in 2005 on a retroactive basis. As of December 31, 2003, undepreciated capitalized foreign exchange losses included in hotel property and equipment amount to ₱176.6 million. Upon adoption of SFAS 21/IAS 21 in 2005, any undepreciated capitalized foreign exchange losses will be adjusted against beginning retained earnings and prior years' financial statements presented will be restated.

- SFAS 12/IAS 12, *Income Taxes*, prescribes the accounting treatment for current and deferred income taxes. The standard requires the use of a balance sheet liability method in accounting for deferred income taxes. It requires the recognition of a deferred tax liability and, subject to certain conditions, asset for all temporary differences with certain exceptions. The standard provides for the recognition of a deferred tax asset when it is probable that taxable income will be available against which the deferred tax asset can be used. It also provides for the recognition of a deferred tax liability with respect to asset revaluations. The Company and its subsidiaries will adopt SFAS 12/IAS 12 in 2004. The financial impact of the adoption of SFAS 12/IAS 12 has not yet been determined.

- SFAS 17/IAS 17, *Leases*, prescribes the accounting policies and disclosures to apply to finance and operating leases. Finance leases are those that transfer substantially all risks and rewards of ownership to the lessee.

  A lessor is required to record finance leases as receivables at an amount equal to the net investment in the lease. Lease income should be recognized on the basis of a constant periodic rate of return on the lessor's outstanding net investment. A lessor should present as an asset and depreciate accordingly assets that are subject to operating leases. Rental income from operating leases should be recognized by the lessor on a straight-line basis over the lease term.

The Company and certain subsidiaries will adopt SFAS 17/IAS 17 in 2004 and, based on current circumstances does not believe the effect of adoption will be material.

3. Cash and Cash Equivalents

This account consists of:

	2003	2002
	(In Thousands)	
Cash on hand and in bank	**₱1,389,378**	₱801,693
Short-term investments	**3,465,542**	4,911,802
	₱4,854,920	₱5,713,495

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:

	2003	2002
	(In Thousands)	
Trade - net of unrealized gain of ₱1,476,038 in 2003 and ₱1,228,524 in 2002 (see Note 8)	**₱7,384,541**	₱6,049,380
Related parties (see Note 13)	**934,002**	238,753
Advances	**645,283**	926,179
Accrued receivable	**248,215**	194,037
Advances to contractors	**195,346**	134,699
Dividends receivable	**71,488**	–
Others	**621,082**	571,038
	10,099,957	8,114,086
Less allowance for doubtful accounts	**134,928**	125,391
	9,965,029	7,988,695
Less noncurrent portion	**5,458,708**	4,035,244
	₱4,506,321	₱3,953,451

5. **Investments**

This account consists of investments in:

	2003	2002 (As restated)
	(In Thousands)	
Shares of stock:		
At equity:		
Acquisition cost	**₱5,181,183**	₱2,617,182
Accumulated equity in net earnings:		
Balance at beginning of year	**597,381**	570,686
Equity in net earnings for the year	**128,417**	37,195
Dividends received during the year	**(18,460)**	(10,500)
Balance at end of year	**707,338**	597,381
	5,888,521	3,214,563
At cost:		
MRT Holdings, Inc.	**855,702**	855,702
Others	**881,505**	1,247,947
	1,737,207	2,103,649
	7,625,728	5,318,212
Land and improvements - net of amortization	**2,443,257**	1,780,561
Buildings - net of accumulated depreciation of ₱2,731,582 in 2003 and ₱2,423,131 in 2002	**9,231,624**	7,848,187
Hotel property and equipment - net of accumulated depreciation of ₱1,362,857 in 2003 and ₱1,186,069 in 2002 (see Note 8)	**3,411,690**	3,772,749
Government bond	**–**	114,322
	₱22,712,299	₱18,834,031

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

	2003 Percentage of Ownership	**Equity in Net Assets 2003**	**2002**
		(In Thousands)	
Cebu Holdings, Inc. (CHI) and subsidiaries	**47**	**₱1,622,079**	₱1,593,998
Emerging City Holdings, Inc. (ECHI)	**50**	**1,564,576**	–
Pilipinas Makro, Inc. (PMI)	**28**	**1,125,720**	1,078,834
Berkshires Holdings, Inc. (BHI)	**50**	**670,527**	–
Alabang Commercial Corporation (ACC)	**50**	**444,667**	440,337
BLC (through Regent)	**4**	**378,273**	–
Lagoon Development Corporation	**30**	**77,717**	84,401
MyAyala.com, Inc.	**50**	**4,962**	9,000
Ayala Port, Inc. (Ayala Port)	**50**	**–**	7,993
		₱5,888,521	₱3,214,563

On April 17, 2003, the following transactions have been consummated pursuant to the terms and conditions of the Assignment Agreement, dated February 8, 2003, among the Company, Evergreen Holdings, Inc. (EHI), Greenfield Development Corporation and Larouge, B.V. (Larouge), as amended, and the Agreement, dated November 23, 2002, among the Company, EHI and Metro Pacific Corporation (MPC) as amended:

(a) The assignment to the Company and EHI of the rights and obligations of Larouge under the loan agreement between Larouge and MPC, pursuant to which, Larouge extended MPC a loan in the principal amount of US$90 million, together with all the rights, title and interests of Larouge in the pledge constituted on 50.38% of the outstanding shares in BLC. The consideration paid by the Company and EHI for such assignment was approximately US$90 million, subject in part to foreign exchange adjustment.

(b) The assignment to the Company and EHI (acting in this instance through the joint venture corporation, Columbus Holdings, Inc.) of the controlling interest in BLC representing 50.38% of BLC's outstanding capital stock. This assignment was effected by MPC under a dacion en pago arrangement, and included an assignment of payables of BLC in the principal amount of ₱655 million together with its underlying security in the form of shares in Fort Bonifacio Development Corporation (FBDC) representing 5.55% of its outstanding capital stock.

The Assignment Agreement, as amended, also provides for the constitution of a pledge over 5% of BLC's unencumbered shares as security for contingent liabilities and breach of representation and warranties. The pledge lien over the 5% BLC shares shall continue to subsist until the third anniversary of the closing date.

The Company and EHI now jointly hold the 50.38% (56.19% beneficial interest) equity interest in BLC through ECHI and BHI. The Company and EHI assigned the notes receivable from MPC to ECHI and BHI, which acquired the shares of stock of Columbus Holdings, Inc. (Columbus). Columbus directly owns the 50.38% interest in BLC. BLC owns 55% interest in FBDC, the primary developer of certain areas in Fort Bonifacio Global City for residential, commercial and business development.

Columbus accounted for the acquisition of the 50.38% interest in BLC using the purchase method. The fair value of the identifiable consolidated assets and liabilities of BLC as at April 17, 2003, the date of acquisition, amounted to about ₱5.6 billion resulting in a negative goodwill of ₱1.4 billion. Columbus' amortization of negative goodwill based on FBDC lots sold in 2003 amounted to ₱27.4 million of which the Company shares 50% through its equity share in the net earnings of ECHI and BHI.

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

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 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 ₱493.6 million in 2003, ₱536.6 million in 2002 and ₱550.7 million in 2001. Consolidated amortization of land improvements amounted to ₱13.4 million in 2003, ₱16.2 million in 2002 and ₱14.5 million in 2001.

6. Property and Equipment

This account consists of:

	Land, Buildings and Improvements	**Machinery and Construction Equipment**	**Furniture, Fixtures and Equipment**	**Transportation Equipment**	**2003 Total**	2002
			(In Thousands)			
Cost						
January 1	**₱911,926**	**₱843,178**	**₱532,248**	**₱208,226**	**₱2,495,578**	₱2,162,266
Additions	**25,813**	**170,413**	**103,101**	**70,122**	**369,449**	413,143
Disposals	**(17,172)**	**(61,105)**	**(20,177)**	**(26,050)**	**(124,504)**	(79,831)
December 31	**920,567**	**952,486**	**615,172**	**252,298**	**2,740,523**	2,495,578
Accumulated Depreciation						
January 1	**151,017**	**393,233**	**322,354**	**134,584**	**1,001,188**	807,058
Depreciation	**35,391**	**96,176**	**105,482**	**42,669**	**279,718**	240,634
Disposals	**(26)**	**(25,893)**	**(4,741)**	**(24,245)**	**(54,905)**	(46,504)
December 31	**186,382**	**463,516**	**423,095**	**153,008**	**1,226,001**	1,001,188
Net Book Value	**₱734,185**	**₱488,970**	**₱192,077**	**₱99,290**	**₱1,514,522**	₱1,494,390

Consolidated depreciation and amortization of property and equipment (charged to various expense and development cost accounts) amounted to ₱279.7 million in 2003, ₱240.6 million in 2002 and ₱ 183.1 million in 2001.

7. Accounts Payable and Accrued Expenses

This account consists of:

	2003	2002
	(In Thousands)	
Accounts payable and accrued expenses	**₱2,953,989**	₱2,594,890
Taxes payable	**370,195**	434,342
Dividends payable	**322,875**	320,812
Retentions payable	**21,634**	43,479
Others	**354,782**	399,139
	₱4,023,475	₱3,792,662

8. Short-term and Long-term Debt

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

The Company issued STCPs in 2003 with an aggregate face value of ₱1.0 billion at par with fixed and floating interest rates. The STCPs are payable lumpsum at various maturity dates in 2004. The fixed-rate STCPs bear interest at 8.20% and 8.59% per annum while the floating STCPs bear interest at 25 basis points (bps) over the benchmark 91-day rate and are repriceable every three months. The Philippine Rating Service Corporation (PhilRatings) assigned the issue a PRS 1 rating, indicating the Company's strong capacity to meet its financial commitment on this issue.

The bank loans of ₱457.0 million in 2003 and ₱1,942.0 million in 2002 represent unsecured peso-denominated short-term borrowings by the Company and its subsidiaries with interest rates ranging from 5.75 % to 10.75% per annum. The ₱50.0 million loan drawn by a subsidiary in 2003 from an affiliate bank is subject to the Directors, Officers, Stockholders and Related Interests rules of the Bangko Sentral ng Pilipinas.

Long-term debt consists of:

	2003	2002
	(In Thousands)	
Parent Company:		
Bonds		
Due 2007	**₱3,000,000**	₱3,000,000
Due 2008	**2,000,000**	–
Bank loans - with interest rates ranging from 6.50% to 11.40% per annum	**3,358,333**	2,170,000
Fixed rate corporate notes (FXCNs)	**1,060,000**	1,060,000
	9,418,333	6,230,000

(Forward)

	2003	2002
	(In Thousands)	
Subsidiaries:		
Bank loans - with interest rates ranging from 6.79% to 14.88% per annum		
Philippine peso	**₱2,585,457**	₱1,607,596
Foreign currency	**920,504**	1,094,902
	3,505,961	2,702,498
	12,924,294	8,932,498
Less current portion	**1,335,995**	309,884
	₱11,588,299	₱8,622,614

In 2002, the Company issued ₱3.0 billion bonds at par, with interest at 200 bps over benchmark 91-day rate.

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

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

The Company's long-term bank loans will mature on various dates up to 2008. These borrowings are unsecured except for a ₱594.2 million loan drawn by the Company in 2003, which is secured by a mortgage on certain parcels of land with a carrying value of ₱213.8 million.

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 2010. Certain subsidiaries' loans are collateralized by trade receivables amounting to ₱52.3 million and ₱65.6 million in 2003 and 2002, respectively; and mortgages on real estate properties, hotel property and equipment and leasehold rights with a total carrying value of ₱3.2 billion and ₱3.6 billion in 2003 and 2002, respectively.

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

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

Interest capitalized amounted to ₱333.4 million in 2003, ₱288.4 million in 2002, ₱337.0 million in 2001.

9. Noncurrent Liabilities and Deposits

Noncurrent liabilities and deposits consist of:

	2003	2002
	(In Thousands)	
Deposits	**₱1,221,607**	₱782,745
Deferred credits	**876,144**	508,345
Deferred tax (see Note 12)	**575,765**	535,042
Retentions payable	**411,349**	502,585
Installment payable - net of current portion of ₱147,222 in 2002	–	147,222
Other liabilities	**161,632**	411,055
	₱3,246,497	₱2,886,994

10. Stockholders' Equity

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

	2003	2002	2001
Authorized	**12,000,000**	12,000,000	12,000,000
Issued	**10,753,283**	10,684,360	10,684,310
Subscribed	**9,247**	9,361	9,022
Treasury	**(24)**	(24)	(24)
	10,762,506	10,693,697	10,693,308

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

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 2003, the Board of Directors approved the declaration and payment from unappropriated retained earnings of the following cash dividends:

a) regular cash dividend of ₱0.06 per share

b) special cash dividend of ₱0.26 per share.

Retained earnings include undistributed net earnings amounting to ₱ 3,908.7 million, ₱3,300.1 million, ₱3,333.2 million as of December 31, 2003, 2002 and 2001, respectively, representing accumulated equity in the net earnings of subsidiaries, associates and joint ventures, which are not available for dividend declaration until received in the form of dividends from the investees.

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

11. Costs and Expenses

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

	2003	2002 (As restated)	2001 (As restated)
		(In Thousands)	
Included in:			
Cost of:			
Real estate	**₱457,473**	₱430,801	₱415,694
Hotel operations	**179,389**	206,648	215,835
General and administrative expenses	**164,815**	172,854	100,425
	₱801,677	₱810,303	₱731,954

General and administrative expenses consists of:

	2003	2002 (As restated)	2001 (As restated)
		(In Thousands)	
Manpower cost (see Note 14)	**₱857,011**	₱733,985	₱644,018
Depreciation and amortization	**164,815**	172,854	100,425
Utilities	**62,920**	58,031	73,371
Others	**455,764**	348,670	226,240
	₱1,540,510	₱1,313,540	₱1,044,054

12. **Income Taxes**

Components of the deferred tax assets and liabilities as of December 31, 2003 and 2002 are as follows:

	2003	2002 (As restated)
	(In Thousands)	
Deferred tax assets on:		
NOLCO	**₱292,528**	₱221,759
Unrealized gain, deposits and accruals for various expenses on real estate transactions and MCIT	**332,812**	159,825
Allowance for doubtful accounts	**43,177**	40,125
Unrealized foreign exchange loss	**14,681**	22,098
	683,198	443,807
Less valuation allowance	**236,791**	125,930
	446,407	317,877
Deferred tax liabilities on capitalized customs duties, interest and other expenses	**(573,635)**	(554,373)
	(127,228)	(₱236,496)

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

	2003	2002 (As restated)
	(In Thousands)	
Other current assets	**₱414,390**	₱277,298
Other assets	**242,434**	228,690
Other current liabilities	**(208,287)**	(207,442)
Noncurrent liabilities and deposits (see Note 9)	**(575,765)**	(535,042)
	(₱127,228)	(₱236,496)

Provision for income tax consists of:

	2003	2002 (As restated)	2001 (As restated)
		(In Thousands)	
Current	**₱902,370**	₱1,107,787	₱875,644
Deferred	**(109,268)**	17,491	43,676
	₱793,102	₱1,125,278	₱919,320

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

	2003	2002 (As restated)	2001 (As restated)
Statutory income tax rate	**32.00%**	32.00%	32.00%
Tax effect of:			
Equity in net earnings of investees	**(1.15)**	(0.32)	(0.43)
Income subjected to lower income tax rates (see Note 19)	**(0.74)**	(0.60)	(1.79)
Interest income and capital gains taxed at lower rates	**(3.16)**	(1.58)	(4.62)
Others - net	**(4.84)**	1.19	3.85
Effective income tax rate	**22.11%**	30.69%	29.01%

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 and other related parties amounted to ₱149.1 million in 2003, ₱230.4 million in 2002 and ₱567.9 million in 2001.

The following are the outstanding balances of receivables from related parties resulting from the above transactions, as of December 31, 2003 and 2002 (see Note 4).

	2003	2002
	(In Thousands)	
BLC	**₱505,754**	₱–
FBDC	**243,777**	–
CHI and subsidiaries	**78,876**	103,993
Ayalaport Makati, Inc.	**24,606**	50,290
Manila Water Company, Inc.	**18,333**	7,034
ACC	**13,226**	9,209
MyAyala.com, Inc.	**8,878**	8,817
PMI	–	9,002
Others	**40,552**	50,408
	₱934,002	₱238,753

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

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 ₱ 118.9 million in 2003, ₱76.8 million in 2002 and ₱68.2 million in 2001.

Based on the latest actuarial valuations of the Company and its subsidiaries, the aggregate actuarial present value of pension benefits amounted to ₱898.1 million. The aggregate fair value of their respective plan assets amounted to ₱422.9 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):

		2003	2002 (As restated)	2001 (As restated)
a.	Net income	**₱2,709,155**	₱2,518,515	₱2,278,336
b.	Weighted average number of common shares	**10,706,701**	10,693,608	10,693,190
c.	EPS (a/b)	**₱0.25**	₱0.24	₱0.21

The assumed conversion of the Company's LTCPs into common shares in 2001 (see Note 8) and the assumed exercise of stock options have no dilutive effect. Accordingly, no diluted EPS is presented in the accompanying consolidated statement of income for 2001.

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 one-time cancellation or conversion offers have resulted in the reduction in the subscribed capital stock, additional paid-in capital and subscriptions receivable of the Company.

Starting 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	
	2003	2002	**2003**	2002
At January 1	**105,917,962**	71,433,929	**2,141,100**	2,141,100
Granted	**37,592,500**	37,341,481	–	–
Exercised	**(7,837,382)**	(2,857,448)	–	–
Cancelled	**(114,279)**	–	–	–
At December 31	**135,558,801**	105,917,962	**2,141,100**	2,141,100

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

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

Exercise Dates	Number of Options
2002 to 2011	25,947,443
2003 to 2012	28,356,591
2004 to 2013	47,496,823
2005 to 2014	22,480,194
2006 to 2015	11,277,750
	135,558,801

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

The Group generally accounts for inter-segment rates and transfers as if the sales and transfers were to third parties at current market prices.

Segment assets and results of the segments for 2002 and 2001 have been restated to reflect the effect of the change in accounting policy with respect to preoperating expenses to conform with SFAS 38/IAS 38 (see Note 2).

Business segments

The following tables regarding business segments present assets and liabilities as of December 31, 2003 and 2002 and revenues and income information for each of the three years in the period ended December 31, 2003 (in thousands).

2003

	Land, Condominium and Residential Units	Rentals	Hotel Operations	Construction	Others	Total
Revenues	7,253,899	3,589,669	1,282,325	759,112	1,738,927	14,623,932
Operating expenses	5,553,322	1,103,412	926,653	589,262	545,339	8,717,988
Earnings before interest taxes, depreciation and amortization (EBITDA)	1,700,577	2,486,257	355,672	169,850	1,193,588	5,905,944
Depreciation and amortization	67,308	403,546	186,470	72,713	71,640	801,677
EBIT	1,633,269	2,082,711	169,202	97,137	1,121,948	5,104,267
Segment assets	31,636,683	15,232,374	4,461,189	1,261,527	14,420,279	67,012,052
Segment liabilities	10,292,268	3,434,089	3,179,197	984,413	13,848,814	31,738,781

2002

	Land, Condominium and Residential Units	Rentals	Hotel Operations	Construction	Others	Total
Revenues	5,608,105	3,329,626	1,308,957	922,326	1,045,119	12,214,133
Operating expenses	4,149,660	823,869	904,557	715,318	448,825	7,042,229
Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,458,445	2,505,757	404,400	207,008	596,294	5,171,904
Depreciation and amortization	50,409	432,755	213,862	56,213	57,064	810,303
EBIT	1,408,036	2,073,002	190,538	150,795	539,230	4,361,601
Segment assets	29,188,563	13,469,054	4,810,339	1,256,697	13,042,563	61,767,216
Segment liabilities	7,949,470	1,733,289	3,517,097	950,113	12,210,246	26,360,215

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	1,243,986	11,668,718
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	821,693	4,684,273
Depreciation and amortization	21,526	391,759	219,256	56,222	43,191	731,954
EBIT	834,984	1,893,496	229,941	215,396	778,502	3,952,319

18. **Note to Consolidated Statements of Cash Flows**

The principal noncash transactions of the Company are as follows:

- Issuance of shares to AC in exchange for land at a transfer price of ₱532.3 million in 2003.
- Assignment of ₱2.1 billion notes receivable from MPC in exchange for equity in ECHI and BHI in 2003.
- Land purchased on installment amounting to ₱442.0 million in 2001.

19. **Registration with Philippine Economic Zone Authority (PEZA)**

A subsidiary is registered with PEZA on October 27, 1999 as a non-pioneer "ecozone developer/operator." The PEZA registration entitled the subsidiary to a four-year income tax holiday from the start of its commercial operations. At the expiration of its four-year tax holiday, the subsidiary shall pay income tax at the special tax rate of 5% on its gross income earned from sources within the PEZA economic zone in lieu of paying all national and local income taxes.

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

The Company has an existing contract with the Bases Conversion Development Authority (BCDA) to develop, under a lease agreement a mall with an estimated gross leasable area of 152,000 square meters on a 9.8-hectare lot inside Fort Bonifacio. The lease agreement covers 25 years, renewable for another 25 years subject to reappraisal of the lot at market value. The annual fixed lease rental amounts to ₱117.0 million while the variable rent ranges from 5% to 20% of gross revenues. Subsequently, the Company transferred its rights and obligations granted to or imposed under the lease agreement to LRHC, a subsidiary, in exchange for equity.

As part of the bid requirement, the Company procured a performance bond from the Government Service Insurance System in favor of BCDA amounting to ₱3.9 billion and ₱4.8 billion in 2003 and 2002, respectively, to guarantee the committed capital to BCDA. Moreover, the Company obtained surety bonds to guarantee the payment of the fixed and variable rent as prescribed in the lease agreement. The surety bonds are secured by a mortgage on a property of certain subsidiary with a carrying value of ₱46.0 million in 2003.

In October 2002, the Company was awarded by the BCDA the contract to develop a lot with a gross area of 11.6 hectares 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 ₱1.0 billion over an 8-year period. As of December 31, 2003, the execution of the joint development agreement between the Company and BCDA remains subject to both parties agreeing on certain issues.

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 2006 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 2002 and 2001 consolidated financial statements were reclassified to conform with the 2003 presentation of accounts.